'Tis the season for shoplifting

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Chain Store Age

GENERAL MERCHANDISE EDITION November 1983

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Wholesale Clubs: Retailing Behind Closed Doors

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Narrowing the Gender Gap

Betsy Sanders began her retail career at Seattle-based Nordstrom's as a salesclerk in 1971. Since 1980, however, she has been vp for the southern California division of the family-owned soft goods chain. Along the way, as she was being encouraged to pursue a career in retailing, she was offered the position of buyer. She nixed it in favor of a store manager slot—and "knocked everybody's socks off," she says today. "No store managers were women then."

Female store managers are no longer an anomaly, at least at department and specialty store chains, but women who have reached the executive level are still in the minority. While 70% of all retail industry employees are female, only about 7% are at management level or above.

However, the number of women earning "management level" salaries has more than doubled between 1970 and 1981, according to Helen Axel at The Conference Board, based on minimum "executive level salaries" for the two periods ($15,000 in 1970; $35,000 in 1981).

Nor is retailing lagging perceptibly behind the nation as a whole: As of August '83, according to the Bureau of Labor Statistics, only 7.9% of all adult working women held executive/administrative/managerial jobs.

Of the top 300 financial, service and retail firms, 56.4% have at least one woman on the board of directors. A *Chain Store Age* survey of the top chains in each retail tier reveals that almost 61% have at least one woman sitting on the board of directors. Here, retailing is somewhat ahead of the game.

Department stores boast an average of 1.6 women per board; Sears, with three female directors, has the highest number among the top retailers. The discount industry has the poorest performance; of the top five discount chains, only K mart has women on the board. Both the specialty and variety tiers have an average of less than one woman per board.

While 70% of all retail industry employees are female, only 7% are management level or above

As retailers have trimmed management jobs in cost-cutting moves, professional/managerial jobs, as tracked by The Conference Board, declined 35% between 1970 and 1981. At the same time, women at this level, earning "management-level" salaries, increased 13%.

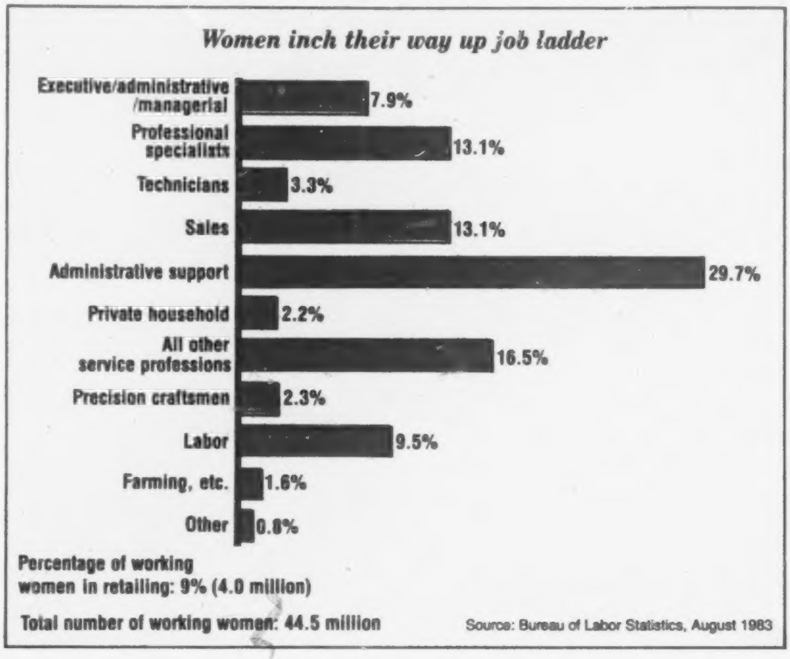
Lower salary history: Actually, there may be more women at the management level in retailing but who are not earning the base salary level, Axel hypothesizes. This may be because women have been entering management through different paths from men and bringing with them a lower salary history. According to a recent Bureau of Labor Statistics survey, women nationwide still earn less than 62% of the median male salary.

The disparity is narrowing slowly, but it is still in evidence in high-paying jobs, where women often have less seniority and command lower salaries. Only 10% of all adult American women working full-time last year earned over $20,000, the study shows.

While women in retailing are still relegated to the bottom of the pyramid, with only a few female principals (presidents, chairmen or chief executive officers) standing out, a change within the next five years is expected, say industry insiders. They point to the current crop of bright, highly motivated women at the vp or middle-management level who are ripe to be plucked as principal slots open up.

"There are already large numbers of women at the middle-management rank," says Jacquie Reynolds-Rush, vp/personnel at Hayward, Calif.-based Mervyn's, a division of the Dayton Hudson Corporation. "And more females are interviewing for executive trainees. Given that pool of people to draw from, there are going to be many more women at the top levels. I don't see any way it's *not* going to happen."

"Women have been slow getting to the upper level," says Pat Belardi, vp/gmm at Mervyn's. "But there wasn't the pool to pick from. The sheer number of women to choose



Women inch their way up job ladder

Executive/administrative /managerial 7.9%
Professional specialists 13.1%
Technicians 3.3%
Sales 13.1%
Administrative support 29.7%
Private household 2.2%
All other service professions 16.5%
Precision craftsmen 2.3%
Labor 9.5%
Farming, etc. 1.6%
Other 0.8%

Percentage of working women in retailing: 9% (4.0 million)

Total number of working women: 44.5 million

Source: Bureau of Labor Statistics, August 1983

from today means more will get to the top, unless someones says, 'We're only going to promote men.'" Neither Belardi nor Reynolds-Rush feels that is the case at Mervyn's, where, says Reynolds-Rush, "the status of women is certainly as good as that of men." Today, Mervyn's boasts five women at the vp level; five years ago there were none.

Playing catch-up: Feeling that retailing has lagged behind other industries in promoting women, several department store companies are making concerted efforts to play catch-up. "We're pretty concerned," says James Andress, operating vp/executive staffing and development at Federated. "We need more women at the top of the industry, since we have so many at the base." While Andress acknowledges that more women than ever before have advanced to the middle, he says, "We have to be careful that some break out of that middle level now." Federated currently has no women at the principal level. Two women serve on the corporate board of directors.

Andress adds that Federated is not the only chain looking to promote qualified women. He cites the May Company and Associated Dry Goods as department store chains with fairly good track records. May Company has one female principal, Judith Hofer, who moved from the presidency of Meier & Frank to that of the May Co.-Calif. eight months ago. She just recently added the ceo title. ADG has Pamela Grant as director of its Scottsdale, Ariz.-based Goldwater's division.

Department stores have the best records in terms of promoting women, but they've also traditionally attracted more women because of their "fashion ambience," says one industry insider. "Fewer women were attracted to discount stores. They wanted to be in fashion, and discounting isn't fashion, they thought," she says. Today, women are moving up the ranks at both discount and variety chains.

Fashion trap: Actually, department stores' "fashion image" is something of a trap for women setting a career in retailing. "Some people, when they find out what I do, think, 'Well, it's fashion,'" says Maxine Kelly, vp/gmm at Federated's Houston-based Foley's division. "Department store retailing is not a business run by fashion statements," she declares. "It's a business run on return on investment." Kelly feels that women who have made it to the top in retailing have done so because of their business acumen, not any gender-related "feel for fashion."

While many women who have made it to higher levels in retailing believe gender is not at issue, they also believe that women have to work harder to get ahead. Says one female discount exec, "It's not a case of discrimination. It's a case of people who are willing to make sacrifices to get there. And it's still true that women have to make more sacrifices than their male counterparts, and are limited by a lack of flexibility. In the past, I don't think women really wanted to get ahead, to be president," she continues. "Now they do."

Many are, like that exec, single and thus able to be flexible. She cites May Co.'s Hofer as an example: "She's at her desk at 6:30 in the morning. I know—I've called her then." On the flip side, she points to Goldwater's Grant as a woman who could get further ahead in the corporate hierarchy if she chose to. Instead, industry insiders say Grant has been hampered by her decision to stay in the Phoenix area with her husband.

More than women's issues: With more women reaching the middle levels of retailing, major retail firms are being forced to be more accommodating—not just to women's issues, says the discount exec, but *people* issues, such as divorced fathers raising children.

"The idea of moving people around the country is just not as easily done anymore," says Mervyn's Belardi. "Companies are more aware of people's needs." She points to Mervyn's efforts to find compatible employment for all spouses—male or female—affected by Mervyn's newly created Southwest division.

For all the disclaimers that it is irrelevant, gender is still an issue at the very top levels of retailing. Perhaps five or 10 years down the road, the question will no longer be important. The turning point will come, says Nordstrom's Sanders, "when you stop making a huge commotion about a woman being picked as ceo. Then we'll have made it. But it hasn't happened yet." ☐

Department stores boast strong increases

Based on this year's performance, with volume expected to close the year up 14.8% over 1982, retailers are optimistic about next year's domestics sales. Nine out of every 10 merchants polled by *Chain Store Age* expect year-end '84 sales to climb, averaging an 11.8% jump.

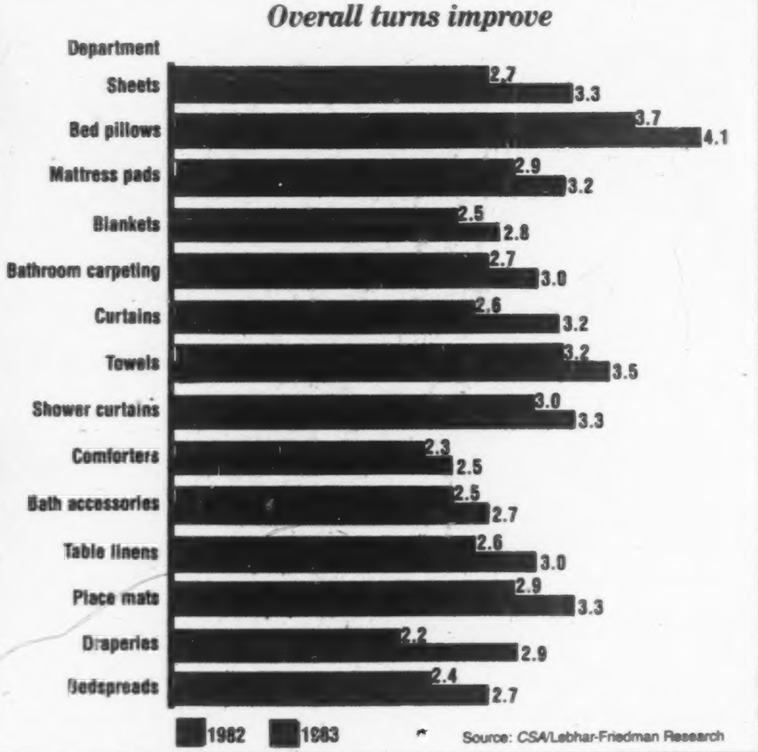
The No. 1 reason cited is "Business is up." Other responses, in order of priority, include "Good product mix at the right prices," "Promotions and advertising," and "The economy is turning around."

Department stores are heading into '84 in the best position. The majority had a better year last year than discounters and variety stores, reporting a 33% increase, while only one in five say sales were stagnant. Fashion merchandise accounts for 35.4% of sales, and basics for 64.6%, compared with the composite average—27.6% fashion/72.4% basics—reported by the department, discount and variety store merchants.

Of those discounters whose sales grew, the increase was 14.7%; at the variety stores, those that had increases noted a 14.6% gain. A decline in sales, reported by 7% of both the discounters and variety stores, was greater for discounters at a 16.5% drop in volume than for variety stores, down 4%. Flat sales were noted by 7% of the variety stores and 13% of the discounters. Additionally, fashion sales comprised only 23% of the discounters' total and 18.5% of the variety stores' volume.

The data suggests that some variety and discount store customers may still be cutting back on domestics purchases, perhaps because of the troubled economy. It also implies that shoppers looking for fashion goods are choosing department stores—which could also explain the sales decline at the variety and discount operations.

Nonetheless, discounters and variety stores generally have a better-developed business than department stores, possibly due to their strong sales in basics. In fact, the discounters and variety stores are said to have highly developed domestics sales, with department volumes contributing 10% and 9.6% of the total discounter and variety



Overall turns improve

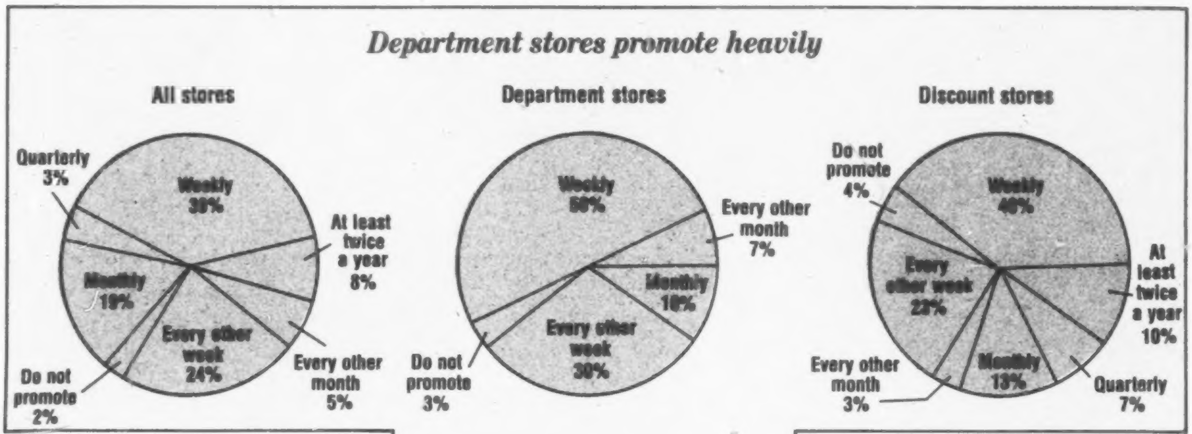
Source: *CSA*/Lebhar-Friedman Research

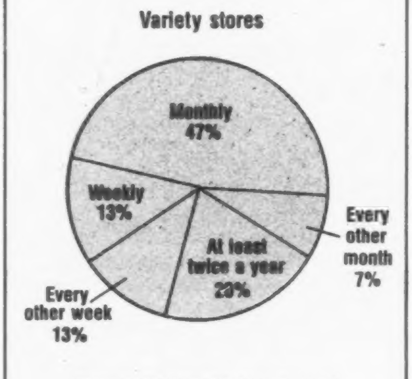
Survey methodology

Chain Store Age's *survey results are based on responses from 75 selected retailers in telephone interviews conducted this past September. In all, 30 department store executives, 30 discounters and 15 variety store merchants were polled.*

The department stores averaged 16.6 stores with annual sales volume of $229 million; the discount stores had an average of 39.5 units with annual sales of $202.9 million, and the variety store sample averaged 305 stores with yearly volume of $322 million.

Department stores promote heavily





Source: *CSA*/Lebhar-Friedman Research

store sales, respectively.

Department stores have room for improvement here. Domestics sales account for only 6.4% of their total store sales, approximately on target with the 7% of sales contribution department stores are shooting for.

But despite these differences, the study shows the domestics department is very important to all three types of operations. Retailers, across the board, are bolstering strong points and re-evaluating weaknesses, looking for ways to improve them.

While most department stores left the number of sku's constant from last year to this year, 2 out of every 5 increased sku's, and another 17% decreased them. Of those department stores increasing the number, the execs say they've added merchandise at the low and medium price points. This suggests that 40% of the department store merchants may be targeting the discount and variety store customers.

The 17% that decreased sku's say they concentrated the cuts in the lower price points. This implies that customers were not buying the lower-priced items at department stores or that these merchants are trading themselves up out of these footballed price points.

Strong sales in basics still give discounters and variety stores a better-developed business

Again, discounters and variety stores were similar when it came to adjusting assortments. Both tiers found 27% of their chains cutting back on sku's. Roughly one-fourth of the variety stores and one-fifth of the discounters increased their sku's, with the remaining chains leaving the number of sku's alone.

However, the two tiers differed when they translated adjustments to price points. Variety stores increased evenly at the medium and high ends, perhaps their weakest areas, while discounters bolstered the medium steps, capitalizing on their strengths.

Discounters that decreased sku's chopped from the high end. Like the department stores cutting at the low price points, perhaps the discounters found that customers were shopping elsewhere for this merchandise. On the other hand, variety stores cut sku's from the lower end, suggesting a push for better sales of higher-priced goods.

Although most retailers kept the number of sku's constant, all operations report square footage increases this year over last. This implies additional space has been allotted for display purposes.

Department stores devote the most area to the category—an average 3,541.4 sq. ft.—and boast the highest gross margins. The average domestics area grew 15.5% over last year's 3,065 sq. ft. Additionally, two-thirds of all department store execs polled say their gross margins exceed 36%; 2 out of every 5 say gross margins are better than 41%.

This compares with discounters, whose average domestics department is 2,456.2 sq. ft., up 1.4% over last year, and variety stores, which average 189 sq. ft., an increase of 2.7% over last year's department. Gross margins for the majority of discounters is under 35%: only 20% of those polled say margins exceed 36%. At the variety stores, 20% say their gross margins are better than 36% but less than 41%, 20% say they run between 31% and 35%, and another 33% say they are below 30%.

The most significant increase in department footage was in draperies, bedspreads, towels and sheets. Drapery departments increased at both discounters and variety stores from 156.4 sq. ft. to 188.8 sq. ft. and 13 sq. ft. to 15 sq. ft., respectively.

For department stores and discounters, towel departments jumped in size. At a department store, the average towel section measures 539.5 sq. ft., up from 462.5 sq. ft. Discounters use 176.2 sq. ft. to merchandise the category, up from 170.9 sq. ft. In addition, bedspreads gained footage at department stores and sheets expanded at discounters.

Inventory turns, reported in the survey, reflect these changes, as well as showing an overall improvement in every department (see chart). For all retailers, the draperies category was the most improved this year over last, with annual turns increasing from 2.2 to 2.9. Sheets also picked up from 2.7 times a year to 3.3.

As for promotions, department stores are still the leaders. Approximately 80% of them promote weekly or biweekly compared with two-thirds of the discounters, which promote as frequently.

Variety stores, on the other hand, promote least often. Almost half of these merchants say they promote monthly, with another 26% promoting weekly or biweekly (see chart).

Not surprisingly, the survey notes that 49% of all merchandise sold is on promotion. Department stores were somewhat higher than the average at 63.9%, while discounters were much lower at 36.9%. The variety stores were the closest to the average with 47.5%. ☐

Soft towels gain in popularity

The soft towel will gain shelf space at the expense of terry and nonsheared on shelves at department stores and discounters during the next two years, according to *CSA's* recent retailer survey.

Approximately one-third of the discounters and one-third of the department store execs anticipate changing present solid towel mixes by increasing the sku's in soft and reducing sku's in the terry/nonsheared classification. Currently, the average department store mix runs 23% sheared/velour, 57.6% nonsheared/terry and 19.4% soft; at discounters, the mix runs 30.7% sheared/velour, 60.1% nonsheared/terry and 9.2% soft for discounters.

At the department stores, this will bring the ratio of soft towels to sheared closer together, suggesting confidence by the more fashion-forward retailers in the strength of this new category. Discounters, on the other hand, have been slightly standoffish to the newcomer, perhaps due to consumer confusion over the difference between soft and nonsheared merchandise. But as consumers begin to accept the new product as a lightweight, absorbent alternative to terry towels, discounters are becoming more receptive to carrying it. One Midwestern upscale discounter reports it is dropping a majority of its nonsheared towels in favor of soft.

The survey also points out that variety stores appear most con-

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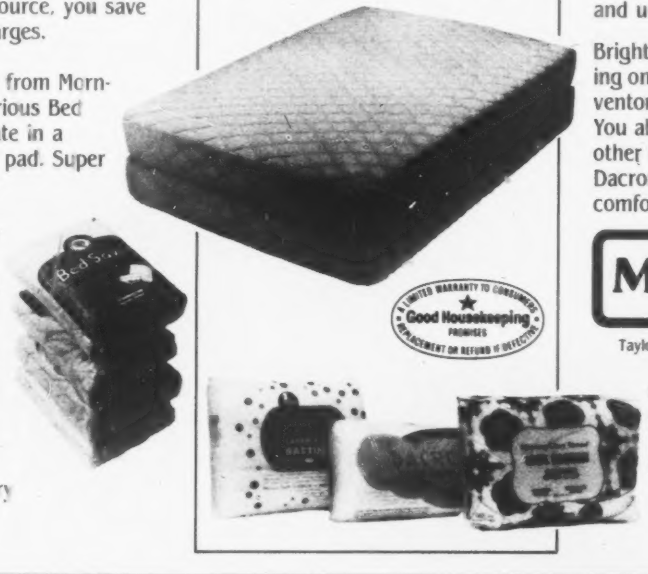
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CONSUMER ELECTRONICS

Sales stage set for record comeback

Prerecorded music sales appear to be pulling out of their four-year tailspin and are climbing back into clear skies.

Sales of records and tapes are expected to pass $3.6 billion this year, a 10% increase compared to 1982. Retailers may be gleeful about "the beginning of a long-term bull market," as one describes it, but it will be years before the business regains the lofty heights it experienced in the 1970's.

One storm cloud on the horizon is the impending mass distribution of compact disk(CD) audio players. While no one in the industry doubts the fact that they will eventually replace standard turntables, when this will happen is up in the air.

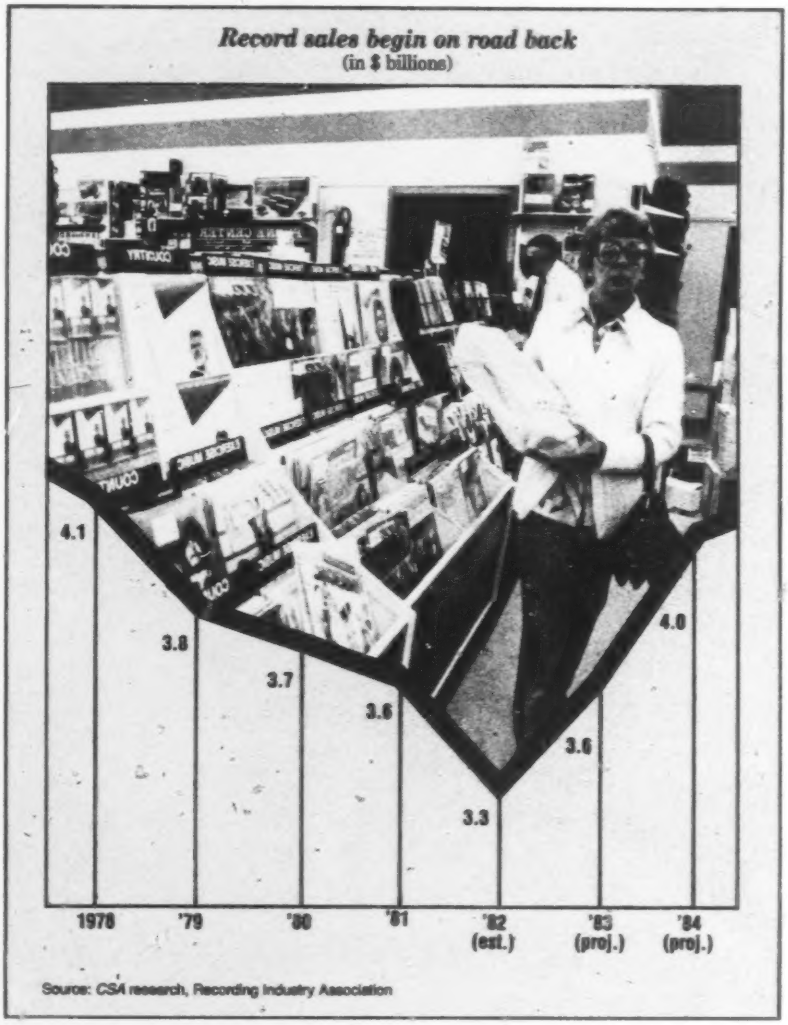
"Retailers aren't going to be hurt when the CD takes off," says a New York-based analyst, "because they can stock whatever the public wants. But manufacturers are faced with picking the time to start putting new releases on CD's as well as analog LP's. If they miss the turn, they're going to be hurting until they can retool and catch up."

In 1978, the last strong year for record sales, volume reached $4.1 billion. From that peak to last year's low of an estimated $3.3 billion, dollar volume declined 19.5%.

The general improvement in the economy, the slowdown in sales of video game cartridges, the stabilizing of top-10 LP prices at the $7.89 level, an almost universal lowering of catalog prices by record manufacturers and an improvement in the quality of rock music being produced today are all being cited as contributors to the upturn in sales.

But the single most important factor cited is the skyrocketing popularity of MTV(music television).

"The lifeblood of this industry is new product," notes Mario DeFilippo, vp/purchasing for the Handleman Co., one of the largest rack jobbers in the country. "MTV has had a dramatic effect on the business. Not only is it a major marketing channel for the artists and their work, but it has been like a shot in the arm to rock radio stations. There's tremendous excitement in the marketplace right now, and I think it will continue for years."



Source: *CSA research*, Recording Industry Association

Record and tape sales will exceed $3.6 billion this year, but regaining the success of the 70's is a long way off

Prior to MTV, more and more top-40 stations were "sticking with the tried-and-true sounds," he adds. "MTV forced them into a competitive position."

The popularity of MTV is being used by retailers to enhance their own sales. Jefferson-Ward is currently testing MTV presentation in its North Miami prototype.

The "As heard on MTV" sticker is showing up more frequently on albums and in print advertising. Handleman, rack jobber for Sears and K mart among others, "has an agreement with MTV for the exclusive use of MTV's graphic design," says DeFilippo.

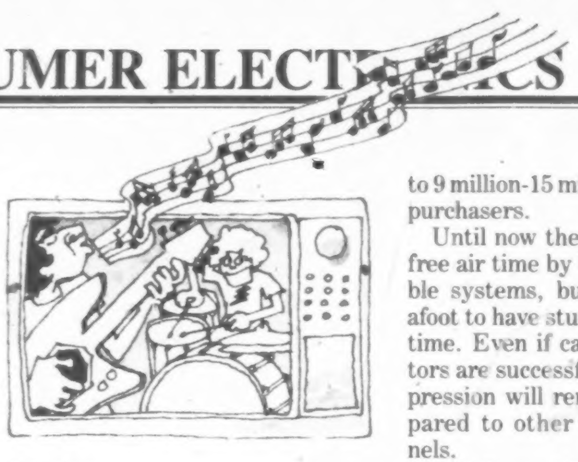
At the same time the recorded music market is reviving, sales of cassettes are passing LP sales for the first time.

"We asked Pickwick [a rack jobber] to increase the cassette selection in our stores," says the buyer for a $200 million mid-Atlantic discount chain. "They were able to add nearly 100 new titles on cassette in place of just one 5-ft. record rack. We found some open wall space for those records, so we really expanded our offering without adding any space."

Sears, too, is devoting more space to cassettes than records. In the chain's "Store of the Future" in Vernon Hills, a Chicago suburb, records have been relegated to about 17 ft. along the rear corner of the consumer electronics department, while a two-sided 10-ft. freestanding gondola of prerecorded cassettes is prominently located in the center of the accessory area.

Retailers have also begun to price LP's and cassettes equally. Tower Records in New York notes in its signing in the cassette department that no cassette is higher-priced than the comparable record. ☐

MTV spurs music industry growth



Rebounding record sales, expected to rise 10% compared to 1982, are just one sign of the revitalized music business.

A number of industry insiders credit the turnaround to the skyrocketing success of MTV and other music-format cable television services. Their popularity has already caused the three major networks to increase the number of music video shows they carry. Naysayers, however, credit sales momentum to the rebounding economy and still-growing trend toward all forms of home entertainment.

But statistics back up the assumption of MTV's power on the marketplace. A survey of MTV's 15 million subscribers earlier this year found that more than 60% have purchased or plan to purchase an album by a group first seen on MTV. Subscriptions to the service are increasing at a rate of about one million per month.

The explosion of rock video onto the American scene is causing marketers to rethink the whole record industry.

For the first time in America (a rudimentary form of "rock video" first aired in Britain in the early 1960's), the buying public is being regularly exposed to new groups whose songs don't rate much radio air time or whose act may never play Peoria (or even Dallas for a New York-based group).

Struggling rock musicians, most of whom were ignored during the lean years from 1978 to 1982, are being courted today due to the economics of MTV exposure.

A video clip costs anywhere from $10,000 to $100,000 to produce. (Even at the high end, "that's about the cost of keeping a rock group in Coca-Cola and potato chips during a 30-city tour," quips one promoter.) Major recording studios are glad to foot this bill for targeted exposure to 9 million-15 million-plus potential purchasers.

Until now the videos were given free air time by MTV and other cable systems, but there is a move afoot to have studios pay for this air time. Even if cable channel operators are successful, the cost per impression will remain minimal compared to other advertising channels.

Retailers will reap the most concrete benefit from this "narrowcast marketing" by being able to focus promotions on the youthful, free-spending demographic customer base. Already some chains, such as Wal-Mart, K mart and Sears, are featuring "As heard on MTV" logos in their store merchandising and print advertising.

But tying audio disk sales to video presentation is only the first step in the revitalization of the rock music business. Major manufacturers, both record makers and video equipment companies, are working toward the next medium for rock music sales.

Branded video disks, which allow the viewer/listener to key in on a particular track, are already on the market, fueling the software sales side of the video disk industry. ☐

Upbeat plans for music videos

Prerecorded music videos haven't set the retail world on fire, but Sony expects that to change soon.

The best-selling music video to date has been The Complete Beatles, but volume has only reached 20,000 units. The entire video music business has been slow due to the high price points for the prerecorded tapes (approximately $60) and the relatively poor sound quality they provide.

Sony's answer to this slow turnover is a 15-minute video cassette for less than $20. Sony's national manager of video software, John O'Donnell, confidently predicts the new short-format tapes will boost overall sales volume for video music to more than $100 million by 1985. "Video is a way of upgrading the music product for the 80's. We think they'll re-create the excitement of the 60's and early 70's," he says.

The "under $20" price point puts the Video 45's in head-to-head competition with video games. "They're short, highly repeatable, just like a video game," O'Donnell notes.

The bloom is already off the rose for video game cartridge sales, so consumers in the target audience (12- to 34-year-olds) will probably be more willing to redirect their discretionary dollars to the videos.

Ward scores solid September rebound

September may prove a benchmark month for beleagured Montgomery Ward. The Big 3 giant's comparable store sales soared 17.8%—the chain's strongest monthly gain in two years.

It was also a solid month for the 24 other retailers tracked in *CSA's* monthly survey. Sales were up 16.5% as all but eight chains posted double-digit increases.

But the real story was Montgomery Ward, which is heading for its first profitable year since 1979. Total sales were up 16.2%, led by big-ticket appliances, children's apparel and toys. "This is the largest monthly sales increase Montgomery Ward has experienced in 29 months," chairman Stephen Pistner said.

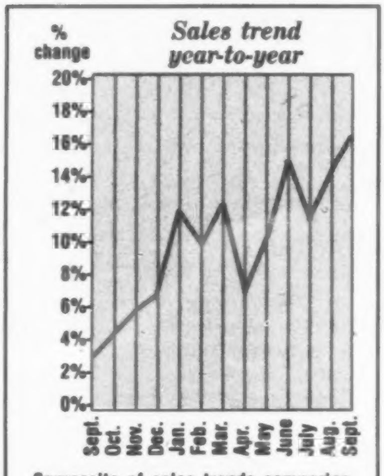
Meanwhile, recent consumer activity continues to point toward a strong Christmas selling season. There was some concern in the industry late last summer that shoppers were pulling back. The Conference Board, a New York-based business research organization, reported that major appliance buying intentions had dropped in its August consumer survey.

Shoppers, however, continue to spend. Sears reported significant big-ticket durable sales for the 12th consecutive month. The chain logged an 11.2% sales hike (not including the company's Simpson-Sears subsidiary).

But K mart had a poor month judged by its recent standards. Sales were up only 8.8% (same-store sales were up 7.1%). Bernard Fauber, the company chairman, blamed abnormally warm fall weather for the weak performance.

Bentonville, Ark.-based Wal-Mart continued its usual trend by reporting a 17% same-store sales increase. Meanwhile, Braintree, Mass.-based Bradlees logged a 10% same-store increase.

Strong performers among department store chains were R. H. Macy, with a 14.4% comparable-store increase, New York-based Mercantile, with a 14.2% same-store sales hike, and Allied Stores, with an overall 11.8% increase.



Composite of sales trends comparing monthly change vs. prior year for the 25 retail companies tracked by *CSA*.

September sales rise despite heat wave

		Sept. sales*		Stores		8-mo. sales		
Major chains	**% change**	**1983**	**1982**	**1983**	**1982**	**1983**	**1982**	**% change**
Sears[1,6]	+27.5	2,379,650	1,866,148	886	843	14,440,188	12,727,932	+13.5
Penney	+ 5.1	956,000	910,000	2,034	2,072	6,306,000	6,096,000	+ 3.4
Ward[1]	+16.2	554,633	477,359	376	388	3,603,804	3,407,709	+ 5.8
Federated[6]	+13.9	652,600	573,100	538	493	4,243,900	3,740,000	+13.5
Dayton Hudson	+23.0	587,640	477,581	1,058	941	3,943,117	3,205,695	+23.0
May Dept. Stores	+16.3	389,400	334,900	1,534	1,349	2,452,200	2,122,600	+15.5
R. H. Macy	+16.9	351,700	300,800	93	92	2,215,100	1,873,600	+18.2
Allied Stores	+11.8	346,000	309,500	561	530	2,155,900	1,887,400	+14.2
Carter Hawley Hale	+19.4	319,300	267,400	1,064	999	2,051,600	1,753,700	+17.0
Associated Dry Goods	+25.7	341,700	271,900	N/A	N/A	2,110,000	1,794,000	+17.6
Mercantile	+15.9	130,943	112,980	86	83	930,859	815,697	+14.1
K mart	+ 8.8	1,643,196	1,510,636	2,138	2,091	11,638,789	10,451,696	+11.4
Woolworth	+ 7.1	515,054	480,887	N/A	N/A	3,335,598	3,158,035	+ 5.6
Wal-Mart	+41.6	344,000	243,000	610	525	2,695,000	1,979,000	+36.2
Household Merch.[2,3,5]	− 5.2	220,507	232,651	3,706	3,802	1,775,272	1,852,894	− 4.2
T.G. & Y.	− 7.5	139,250	150,559	831	925	1,207,805	1,278,935	− 5.6
Zayre[4]	+17.7	237,085	201,472	708	612	1,528,853	1,286,190	+18.9
Bradlees	+45.9	112,200	76,900	123	98	650,000	478,800	+35.8
Murphy	+ 9.5	75,721	69,180	406	427	527,470	514,542	+ 2.5
Rose's	+31.3	55,010	41,896	243	236	488,109	394,554	+23.7
Heck's	+ 6.0	33,500	31,600	121	119	290,100	264,500	+ 9.7
Jamesway	+23.4	36,913	29,909	77	67	247,637	200,272	+23.7
Melville	+17.8	376,730	319,798	5,680	5,392	2,575,373	2,184,313	+17.9
Tandy	+14.6	198,476	173,163	N/A	N/A	1,560,278	1,325,918	+17.7
Edison Bros.	+10.4	96,988	87,887	2,162	2,129	715,880	648,965	+10.3
The Gap	+ 4.4	49,700	47,600	563	514	282,100	269,300	+ 4.8
Totals & averages	**+16.5**	**11,004,646**	**9,448,247**	—	—	**72,763,127**	**64,433,312**	**+12.9**

*000 omitted. N.C. = no change. N/A = not available.
[1] Store number for full-line outlets only. [2] Includes 2,833 franchise stores (vs. 2,831 a year ago). [3] Includes T.G. & Y. sales. [4] Includes 272 Zayre stores (vs. 265 a year ago), 330 Hit or Miss stores (vs. 268) and 106 T. J. Maxx stores (vs. 79). [5] Excludes supermarket sales. [6] Includes results from Simpson-Sears.

McCrory rides variety store profits

York, Pa.-based McCrory Corporation reported a 25.5% jump in operating profits for the first half of this year on the strength of its variety store operation. Profits climbed from $48.3 million in 1982 to $60.4 million for the period.

Profits for the McCrory Stores, the variety group, were up 115.8% from $11.4 million in '82 to $24.6 million this year. Sales were up a modest 8.9%, from $336 million in '82 to $366 million.

McCrory officials say a reduction in operating and interest expenses keyed the variety chain's strong profit performance. Profits at the company's Lerner Stores division, however, dropped 9.7% while profits for its OTASCO stores were up only 9.2%.

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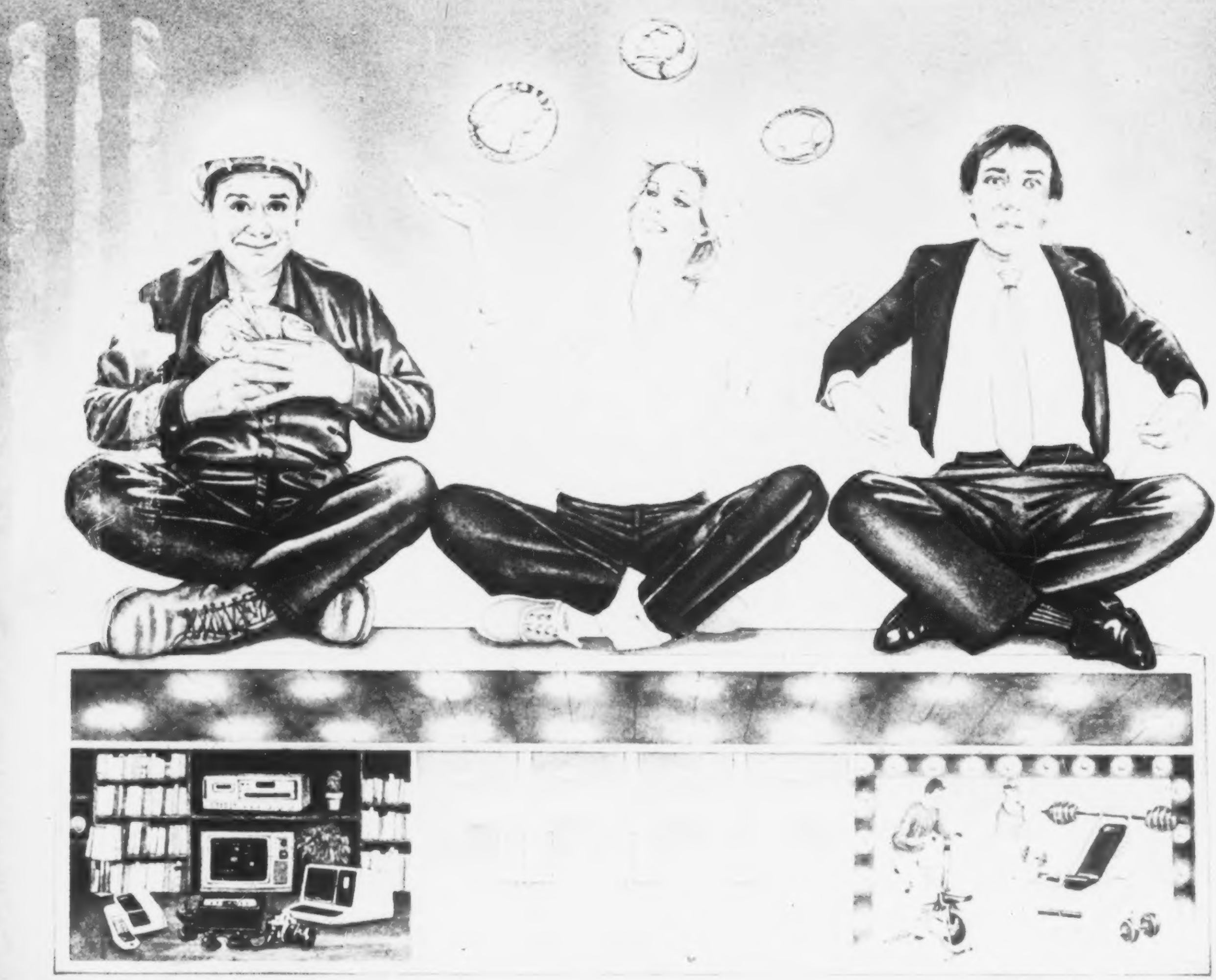
SPECIAL REPORT

Chain Store Age

GENERAL MERCHANDISE EDITION December 1983



Third Annual Consumer Buying Intentions Study

TWO DOLLARS PER ISSUE

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Regular features of Chain Store Age, *such as the Touche Ross Management Development Course, do not appear in this issue because of the special Consumer Buying Intentions Study. They will return next month.*

Copies of the research data compiled for the CSA *study of 8,500 households may be purchased. For more information, contact Murray Forseter, editor.*

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Chain Store Age

The three faces of shopping

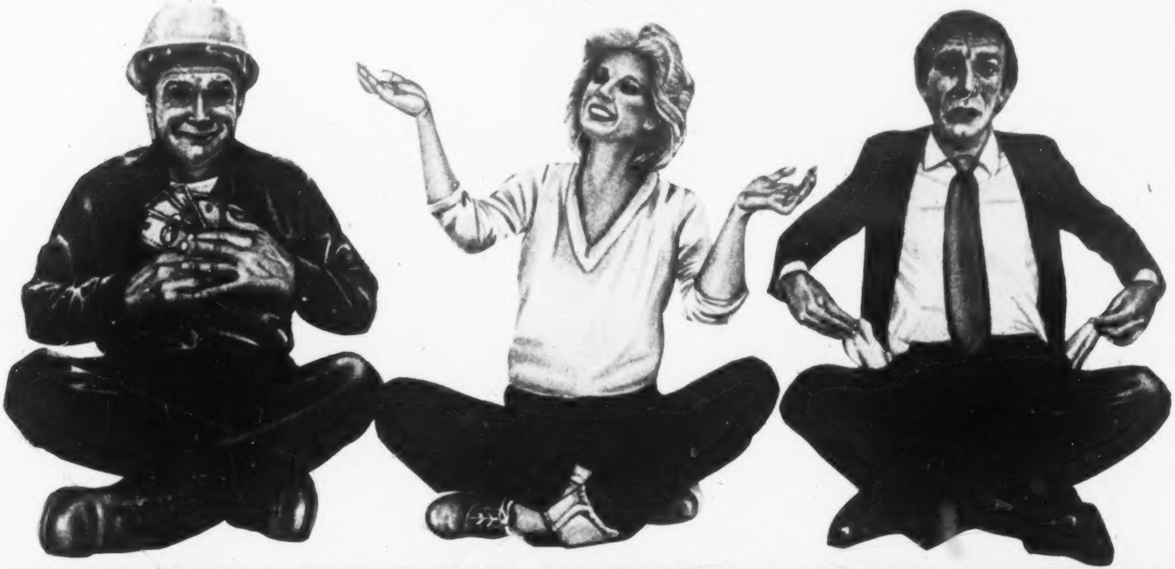
Lisa and Dennis Simmons have all the right demographic traits. They are 37, graduate school alumni, professionals. The parents of two children under 5, they own a three-bedroom house in Los Angeles and earn more than $40,000 a year.

They normally would represent the perfect demographic profile, the type of customers to which most retailers say they are targeting their marketing efforts.

But the Simmons (a pseudonym) are anything but typical spenders. They live paycheck to paycheck, occasionally experiencing negative cash flow when major expenditures, such as a down payment for a much-needed car, require them to withdraw from their savings account.

They are survivors, neither putting money aside for specific purchases nor for a rainy day simply because all of their income is needed just for living. Surviving.

The Simmons belie the assumption that survivors come only from



Profiling the three consumer groups

Savers	Hedgers	Survivors
% of population		
33%	29%	38%
Reasons for store selection		
Specialization Selection Satisfaction/past experience	Reputation Service/repair/warranty Quality	Credit Selection Family member works there/knows me
Buying psyche		
Seek optimum fulfillment of resources	Take risks	Seek assurance
Age		
Little deviation among all age groups	20% of under-25 population 22% of 65-plus population	Half of under-25 population 40% of 25-34 population 44% of 65-plus population
Income		
44% of $30,000-plus population 23% of $15,000-under population	41% of $30,000-plus population 19% of $15,000-under population	16% of $30,000-plus population 58% of $15,000-under population
Household size		
Little deviation in household size	23% of one-person households	47% of one-person households 46% of six-person-plus households
Favored products		
Microwave cookware, luggage, DIY books, tennis racket, personal portable stereo, computer software, paperback romance novels, telephone, microwave oven, table place mats	Home photo-developing equipment, video cassette recorder, instant camera, electronic bug killer, patio furniture, video game machine, sewing patterns, facial moisturizer, blank video tapes, home computer	Recliner chair, watch, vacuum cleaner, electric fan, smoke detector, bathroom scale, tea kettle, phone answering machine, DIY book, printing calculator, paperback romance novel

Source: *CSA*/Leo Shapiro & Associates

Home-spun values highlight saving

Take an attitude toward money brewed during the Depression. Add a cupful of wartime memories and a pinch of taciturn farm-bred self-reliance, and the resulting mixture is the philosophy of Eleanor and Edward Prechtl.

They are savers and admit that childhood memories of not having enough to eat or money for new clothes makes them extra-careful today. Edward is a farmer and has been all his life. Eleanor, too, was raised on a farm. They live in a modest home in eastern Long Island, N.Y., surrounded by three acres of land housing their animals, farm equipment and a warehouse. Edward farms about 200 acres of rented land, potatoes being the main cash crop.

Their rural lifestyle almost belies the fact that neighbors living across the street in affluent developments commute two hours daily into New York City to work. The Prechtls have watched the area change from being totally farmland to today's mix of suburbs with only patches of cultivated land. While the city has come to them, they have not become citified. In fact, Eleanor goes into New York only once a year with her daughters to see a Broadway show and have dinner, but never to shop.

"When the children [they have four] were growing up, I shopped mostly through the catalogs—Sears and Spiegel particularly," Eleanor says. "There just weren't any stores out here—very few people either."

But as the area changed, stores popped up all over the place. Now Eleanor finds herself faced with the awesome task of trying to decide where to shop. In one direction is Smith Haven Mall with A&S, Macy's, Sears and more than 125 other stores. In another direction are Caldor, Marshall's and Burlington Coat Factory, and this is the direction Eleanor usually travels when she shops.

***Prechtl:** well-made apparel, courteous help count the most.*

"I shop discounters because of price," she says. "I always seem to find what I want there, too. In the department stores everything is the same. I like Marshall's and I usually find something different there. I buy clothes that appeal to my taste, not because of a fancy name on the label."

She makes many of her own clothes and regards sewing as a hobby and as a way to save money. She examines apparel she purchases with a sewer'e eye. "I look at the seams, how things are put together. Clothing just isn't made as well as it used to be. Now I also look to see where it's made. With so many people in the country out of work, I think I should buy products made in America, even if I have to pay a little more for them," she states emphatically.

Eleanor shops only when necessary—"about once a month"—except for food, which she buys almost daily. She buys her husband's clothes as well. Even though she doesn't shop often, she doesn't part easily with her money. "I probably waste a lot of time," she says with a laugh. "I'm definitely not an impulse shopper. I'll go and look at an item two or three times before buying, and I'll check the prices at several stores. Sometimes I've been so slow to make up my mind that the store is out when I finally decide to buy."

She isn't swayed by advertising nor is she brand-conscious. What sends her scurrying away from retailers are rude salesmen and stores that are continuously out of stock. "The first time it's not so bad, but when I keep finding empty shelves, then it's just not worth going back," she explains.

Her home-spun virtues make her a bane to glamour retailers trading on status names and fashion fads. What she really wants is a clean shopping environment and good quality products.

But she is a good customer to have, nearly always paying cash. "We have credit cards—quite a few of them as a matter of fact—from stores and from the bank. We got a Master Card because we were traveling and someone said it'd be good for emergencies. That's about the only time we use it."

While Eleanor and Edward strongly believe in saving for a rainy day, they think the economy is improving. They didn't have to cut back too much during the last few years when things were bad since they have always lived within their means. Edward's income fluctuates every year, so savings are an important safety net for years when crops are bad.

But if money were no problem, Eleanor says she would like to travel and see more of America.

Housewares items, specialty stores, *and broad assortments are especially appealing to savers.*

lower socioeconomic backgrounds. To be sure, most are from less educated and less affluent circumstances.

But, as in the case of the Simmons, many survivors are to be found among that group of people who have attained a certain standard of living, a lifestyle they are reluctant to cut back on. They have been forced to wheel and deal because of inflation during the last few years. They live on credit and drive BMW's. They put almost nothing in the bank, trusting their fate to . . . fate.

The declining trust in the country's governmental and economic institutions is a common thread found in this year's *Chain Store Age*/Leo J. Shapiro & Associates Consumer Buying Intentions Study.

Consumers have lost faith in Government and their employers' abilities to ensure their futures. Just a year ago the computer industry sparkled with opportunity. Few foresaw the thousands of workers who would be laid off by the devastating losses at Atari, Texas Instruments, Osborne and other high-tech companies.

So much for what *Megatrends* author John Naisbitt calls a "sunrise" industry. ("Sunset" employees such as steel and automotive workers have already been dealt destabilizing blows to their psyches.)

It's no wonder, then, that *CSA*/Shapiro found that 80% of the population feel they cannot trust their future to their employers or Government, the latter a reaction to problems in social security system funding and cutbacks in safety net programs.

The virtue of self-reliance

The public has come to realize it must itself save to provide for medical costs, retirement, children's education and other needs. Fewer than 1 in 4 consumers feels he can relax about the support systems that Government and his employer have in place. The proliferation of Individual Retirement Accounts (IRA's) testifies to the belief in self-reliance. Indeed, 1 in 4 Americans is acutely concerned about the need for self-reliance in the face of increasingly less reliable support from Government or employer.

It was just that uneasy feeling about the future that caused Dennis Simmons to change jobs. A Los Angeles County employee, Simmons went to law school at night and is now an associate of a large law firm. He's still playing catch-up with his salary, but his days as a survivor appear to be fewer than if he had kept his Government job.

Three equal groups

Survivors are but one of three groups of consumers delineated by the *CSA*/Shapiro research. The national telephone survey found the country segmented into almost equal parts.

Survivors comprise the largest group, at 38%. Savers equal 33% of the population. Hedgers account for the remaining 29%. The groups have distinctly different savings and purchasing needs and plans, thus creating marketing differences for retailers.

Merchants may either choose to specialize in goods that serve a particular group, or they may carry assortments that appeal to all. In the latter instance, advertising and display can be used to target in on the particular concerns of each segment.

As their name implies, savers focus on accumulating money to provide for future needs. The saver is either affluent enough to have money to put aside or is driven to do so despite modest circumstances by fear, a condition commonly associated with those who have lived through the Depression.

Fifteen per cent of all savers are over 65, while 22% are under 30. Mean income is $25,600 a year. One out of 3 savers has an income above $30,000. More importantly, 44% of the population earning over $30,000 are savers.

Savers are comparatively optimistic about the future. Half believe their income will improve in the next 12 months, while nearly 3

SAVERS, HEDGERS AND SURVIVORS

Survivors, often under 25, *shop stores with wide selections.*

out of every 5 (58%) feel the nation's economy will improve at the same time.

Savers are relatively strong on purchases that are directly related to the home, which appears to be a stabilizing anchor in their lives.

Savers are dedicated to obtaining optimum fulfillment from their resources. They are interested in products that work with others—microwave cookware, computer software, do-it-yourself books.

In their reasons for choosing a store, savers look for specialty stores or retailers with good selections. When they part with their money, they want to be assured that the trip they make will pay out. They pick a retailer that will save them time in the decision-making process, not necessarily dollars. They rely on past experience and satisfaction to narrow their store choices.

Survivors need a different type of assurance when they go shopping. They need the assurance they will be able to make a purchase, so their most important criterion for selecting a store is its extension of credit.

Selection is a distant second in the consideration, followed closely by another symbol of assurance—the presence of a family member who works for the retailer.

Mean income is the lowest of the three groups at $17,900 a year. The average is brought down by the fact that survivors account for 58% of the total population earning no more than $15,000 a year. Just 16% of the households earning more than $30,000 fall in the survivor category.

It is not surprising, therefore, that nearly half of those who have cut back on their standard of living in the last year, and 46% of those who believe it will be harder to pay bills next year, are survivors. The grim outlook can be seen in the survivors' belief that someone in their household will either be laid off or work fewer hours in '84.

Survivors most frequently can be found at the extremes of society. They account for 47% of single-person households and 46% of households with six or more people.

In addition, half of the under-25 population, 40% of those 25-34 and 44% of those 65 and older are survivors.

In short, survivors—people who cannot put money aside for the future—are more often found among the young, when incomes may be limited and the future appears far away, and among the old, when income again may be limited and the future quite short.

Survivors show an inclination to buy products that make their lives more comfortable. They purchase passive products. *CSA*/Shapiro found that of 39 hard lines items studied, survivors opted most strongly for recliner chairs, watches, electric fans and phone answering machines. They expressed lower interest levels in such physical and mental involvement products as exercise equipment, tennis rackets, home computers and video games.

Hedgers are the most aggressive and active consumers. Though they represent the smallest segment of the population, they can be classified as risk-takers.

They are interested not only in building up their bank accounts for the future, but also for purchases of the moment. They are interested in new ways to use their time, so they invest heavily in durables such as video cassette recorders, home photo-developing equipment, home computers and patio furniture.

These purchases are not only costly but demand time investments to maximize their usefulness. The hedger retains the option of investing money or time in furthering a lifestyle.

Hedgers look for retailers with good reputations, good service and warranties. These retailer attributes counterbalance the hedger's assumption of risk. Hedgers express their risk-taking and their dependence on a retailer in their greater willingness, compared to savers and survivors, to purchase a store brand.

Like savers, hedgers put money in the bank. But the commitment to accumulate funds is different. Savers spend almost defensively. Hedgers, meanwhile, are quite free about moving away from saving as long as they have some money left as security. □

Selection counts more as economy improves

The economic millstone lightened, if not totally removed, from around their necks, consumers are once again flexing their spending muscles. Retailers expect the best Christmas in the last five years.

But the key to 1983 and 1984's glad tidings for merchants will be *selection.*

Results from this year's *Chain Store Age*/Leo Shapiro & Associates survey of consumer buying intentions show that selection dramatically increased in importance in the eyes of consumers asked to explain why they would frequent a store for hard lines.

More than 13% of the polling sample named selection as the one reason they would choose a store compared to 8.1% expressing a similar sentiment last year—a 64% gain.

By comparison, price and quality shifted marginally in consumer emphasis. Price went from 28.1% to 28.5%, while quality inched ahead from 8.1% to 8.3%.

These findings and more are part of *CSA*'s Third Annual Consumer Buying Intentions Study. The 8,500-household study gauged *readiness to buy in '84, not sales projections*, for 39 hard lines and 10 apparel items.

Affirming retail strategies

Within each retail tier and subtier, discernible patterns emerged, often paralleling chain marketing strategies. K mart, more price-competitive during the last year as it vigorously attempted to retake the high ground in discounting, came away with more price/discount mentions.

Department stores, meanwhile, are increasingly perceived as the place to shop hard lines because of wide selections and good quality, having upped these mentions by 38% and 95%, respectively.

Montgomery Ward displayed perhaps the most telling affirmation of its strategy to broadly introduce name brands into its mix while retaining features of its past strengths. Its selection score went from 3.2% to 11.4%, a 256% improvement. Customers perceived a quality improvement, and at the same time retained their strong allegiance to Ward's credit program.

Mail order is among the fastest-growing segments of retailing, and the data bear this out. Based on all who mentioned a store, mail order increased its market share from 1.3% to 3.7%, up 185%.

Mail order customers found the service more convenient than a year ago and tremendously more satisfying. They did not, however, provide more glowing reviews for the quality of mail order goods. Quite the contrary—its score dropped 47%.

Off-price, the other hot growth arena, jumped 16.7% in market share. Surprisingly, the increase came more from hard goods than apparel. The survey emphasis on hard goods may explain this anomaly.

Consumers again provided Ward with reason to be satisfied. Market share increased from 2.5% to 4.3%. Of the 29 identical items studied in 1982 and 1983, Ward improved its market share on 15; it lost some ground on just four products.

Four broad departments—housewares, consumer electronics, sporting goods and home/office—offer clues to the rankings.

Ward was found to be stronger for housewares, consumer electronics and home/office products, but weaker in sporting goods.

Penney came out stronger in housewares and home/office, weaker in the other two. Catalog showrooms showed weakness only in housewares, strength in all others. K mart's weak spot was in sporting

Selection gains importance at expense of price/quality for hard lines

Reasons for shopping hard lines	All stores		K mart		Other discount stores		Sears		Ward		Penney		Department store		Catalog showroom		Specialty store		Mail order		Off-price	
	'82 %	'83 %	'82 %	'83 %	'82 %	'83 %	'82 %	'83 %	'82 %	'83 %	'82 %	'83 %	'82 %	'83 %	'82 %	'83 %	'82 %	'83 %	'82 %	'83 %	'82 %	'83 %
Price	28.1	28.5	62.4	70.8	67.8	58.3	20.5	20.2	23.9	24.4	21.0	30.7	37.0	23.0	69.9	70.1	19.9	20.8	53.7	27.5	48.9	57.5
Selection	8.1	13.3	7.4	7.0	6.2	9.5	6.7	14.7	3.2	11.4	9.9	20.9	15.4	21.2	4.1	6.2	19.4	22.6	6.8	6.4	4.9	14.8
Quality	8.1	8.3	3.3	2.4	4.1	6.1	19.6	16.2	10.4	12.1	15.7	13.5	8.2	16.0	5.6	7.3	11.2	10.9	12.3	6.5	5.3	6.9
Satisfaction	7.3	6.2	4.0	4.0	3.1	3.8	17.1	11.4	13.7	7.8	13.4	4.1	10.2	8.5	12.8	4.4	10.5	9.1	1.9	14.2	5.4	—
Location/ convenience	10.0	10.9	16.4	11.9	10.7	13.4	12.1	12.1	17.7	16.3	13.2	12.5	16.7	14.4	2.6	7.5	13.8	11.9	14.8	18.6	5.7	2.3
Credit access	1.9	2.2	—	0.4	0.3	1.1	7.6	7.1	14.3	15.5	16.0	8.1	3.8	4.6	—	0.7	0.6	0.7	0.8	2.7	—	--
Service/ repair/ guarantee	3.0	2.3	1.1	0.9	0.9	0.3	6.5	6.6	11.2	2.1	1.9	1.0	2.8	1.6	1.1	0.7	5.2	4.8	2.7	—	—	3.2
Other	5.3	6.9	1.3	1.3	2.6	3.0	5.3	8.2	0.7	6.6	6.3	4.4	1.6	5.3	0.9	1.6	12.8	14.3	0.8	12.7	16.9	7.4
Not answering	20.2	21.4	4.1	1.3	4.3	4.5	4.6	3.5	4.9	4.0	2.6	4.8	4.3	5.4	3.0	1.5	6.6	5.7	6.2	11.4	12.9	7.9

Source: *CSA*/Leo Shapiro & Associates

Montgomery Ward, K mart, mail order increase market shares

	K mart		Other discounters		Sears		Ward		Penney		Department store		Catalog showroom		Specialty store		Off-price		Mail order	
	'82 %	'83 %	'82 %	'83 %	'82 %	'83 %	'82 %	'83 %	'82 %	'83 %	'82 %	'83 %	'82 %	'83 %	'82 %	'83 %	'82 %	'83 %	'82 %	'83 %
Total store	6.2	8.2	15.5	12.7	10.5	8.8	2.5	4.3	3.9	3.7	17.9	12.3	4.5	5.0	28.7	29.2	1.2	1.4	1.3	3.7
Hard goods	6.0	8.2	16.6	13.5	10.1	8.3	2.7	4.7	3.1	2.8	15.7	9.6	5.2	5.7	29.6	30.1	0.8	1.1	1.5	4.1
Apparel	7.6	8.5	7.6	7.2	12.7	12.4	1.5	2.1	9.6	9.2	33.3	30.9	0.2	—	21.1	23.2	3.9	3.4	0.4	0.4

Source: *CSA*/Leo Shapiro & Associates

Base: all who named a store.

Purchase patterns

The three-tiered charts on these pages depict household purchase incidence/intentions and store market shares for 1983 and 1984. For example, 4.6% of the households polled bought a home computer in 1983. K mart was the store for 4.7% of those households. Without any advance motivation, such as promotions or sales, 7% of the sample said they would buy a home computer in 1984, 2.1% specifically naming K mart.

As a guideline, products with buying interest for 1984 of at least half the actual 1983 purchase incidence represent viable growth areas. The charts also show the comparative product vulnerability to household economic distress. Products are listed in descending order of vulnerability, reading left to right.

	Home computer		Video game	
	'83	'84	'83	'84
Outlet	4.6%	7.0%	10.8%	3.1%
K mart	4.7	2.1	12.9	8.7
Other discounters	14.0	9.7	18.5	18.5
Sears	2.3	1.5	12.9	19.6
Ward	9.3	2.1	7.3	9.2
Penney	4.7	2.7	3.2	3.9
Department store	—	14.2	4.8	15.0
Catalog showroom	4.7	5.2	7.3	0.9
Specialty store	58.1	58.6	21.8	22.0
All others	2.2	3.9	11.3	2.2

Source: *CSA*/Leo Shapiro & Associates

Moderate economic vulnerability*

	Electronic bug killer		Tennis racket		Bike		Home photo equipment		Barbecue		File cabinet		Portable stereo		Microwave bakeware	
	'83	'84	'83	'84	'83	'84	'83	'84	'83	'84	'83	'84	'83	'84	'83	'84
Outlet	3.5%	2.9%	4.6%	2.2%	10.3%	4.8%	1.1%	0.9%	10.2%	4.3%	4.2%	2.5%	9.8%	2.8%	9.3%	4.9%
K mart	2.4	6.3	6.3	5.9	5.0	10.1	3.1	3.8	16.7	19.7	9.6	11.5	3.8	5.8	3.7	4.1
Other discounters	12.2	10.8	13.7	11.8	11.8	15.9	12.5	7.3	17.7	17.3	17.3	17.5	19.0	12.5	16.2	14.4
Sears	29.3	26.1	3.2	4.7	15.1	12.4	3.1	14.4	8.3	18.1	17.3	21.6	7.6	9.9	15.0	25.8
Ward	7.3	2.4	5.3	9.6	—	2.0	12.5	7.7	4.2	5.2	6.7	10.4	5.7	5.8	6.3	5.2
Penney	2.4	3.1	2.1	2.2	1.7	—	3.1	—	1.0	5.3	1.9	2.2	2.8	2.1	1.2	6.8
Department store	7.3	7.9	3.2	5.8	3.4	2.2	—	1.7	11.5	8.5	1.9	4.3	3.8	10.4	16.2	12.5
Catalog showroom	2.4	—	3.2	4.6	3.4	3.7	—	1.7	10.4	4.8	2.9	1.5	7.6	9.2	10.0	12.7
Specialty store	9.7	23.1	53.7	52.2	36.1	41.4	46.9	61.6	2.1	7.3	27.9	24.3	29.4	37.5	3.7	3.2
All others	27.0	20.3	9.3	3.2	23.5	12.3	18.8	1.8	28.1	13.8	14.5	6.7	20.3	6.8	27.7	15.3

Source: *CSA*/Leo Shapiro & Associates

Low economic vulnerability*

	Printing calculator		Luggage		Portable fan		Tea kettle		Vacuum		Place mat		Craft kit		Blank video tape	
	'83	'84	'83	'84	'83	'84	'83	'84	'83	'84	'83	'84	'83	'84	'83	'84
Outlet	6.3%	1.8%	7.7%	3.6%	12.9%	3.2%	5.1%	2.3%	11.2%	6.2%	14.0%	4.8%	14.7%	6.4%	8.4%	4.9%
K mart	7.0	8.9	5.1	5.3	21.6	12.8	14.4	11.7	4.8	3.1	9.7	11.9	7.7	9.7	7.0	11.0
Other discounters	14.7	26.3	10.8	11.1	20.6	25.8	16.3	15.0	7.6	7.3	19.8	14.7	9.7	9.2	11.6	21.0
Sears	7.0	9.8	9.7	15.7	8.8	19.6	6.7	12.0	18.1	39.6	4.8	5.1	1.9	4.7	3.5	6.4
Ward	14.0	7.9	6.2	8.3	5.4	3.6	7.7	6.6	5.7	5.2	6.0	9.8	6.3	3.1	3.5	0.5
Penney	—	0.8	10.8	14.5	2.9	0.7	4.8	9.8	3.8	—	4.0	6.3	1.0	3.0	1.2	—
Department store	4.7	4.3	27.2	19.4	9.8	15.9	23.1	22.4	14.3	10.4	26.6	40.4	7.2	5.3	3.5	7.6
Catalog showroom	15.5	16.1	9.2	9.2	2.9	3.3	5.8	4.7	1.0	—	0.4	0.5	1.9	1.1	9.3	6.4
Specialty store	17.1	12.7	4.6	8.4	0.5	0.7	5.8	9.4	21.9	24.0	14.5	5.2	53.1	56.4	41.9	39.4
All others	20.0	13.2	16.4	8.1	27.5	17.6	15.4	8.4	22.8	10.4	14.2	6.1	11.2	7.5	18.5	7.7

Source: *CSA* Leo Shapiro & Associates

goods, while Other Discounters improved just in consumer electronics.

Specialty stores for housewares and sporting goods registered improvements; those for consumer electronics and home/office did not. Mail order's increase came in housewares alone.

Neither department stores nor Sears produced any departmental gains. Indeed, department stores turned in significantly lower market shares in all four areas. Sears, meanwhile, had some individual product bright spots. Its market share for microwaves reached one-third of those purchased, up from one-quarter a year ago. Similarly, 1 out of 5 consumers vs. 1 out of 7, bought exercise equipment from the nation's largest retailer.

Overall, however, Sears' market share declined from 10.5% to 8.8%. Department stores, Penney and Other Discounters also experienced shortfalls, while K mart, specialty stores and catalog showrooms en-

*High economic vulnerability**

Patio furniture		Computer program		Video recorder		Microwave oven		Exercise equipment		Typewriter		Recliner chair		Car stereo		
'83	'84	'83	'84	'83	'84	'83	'84	'83	'84	'83	'84	'83	'84	'83	'84	
4.8%	4.7%	3.9%	4.4%	4.6%	3.9%	6.7%	7.0%	9.4%	2.8%	4.2%	3.4%	6.3%	4.7%	7.3%	3.2%	Outlet
3.8	7.7	9.3	2.4	—	5.4	—	—	9.7	6.8	2.3	1.1	2.3	—	3.8	1.9	K mart
8.1	21.9	11.6	8.6	18.2	—	3.3	12.3	15.5	18.0	8.0	8.0	2.3	3.1	5.1	5.8	Other discounters
12.1	14.4	—	2.4	3.8	12.8	33.3	35.1	20.6	28.4	13.6	28.5	9.3	6.0	8.3	7.3	Sears
—	4.2	2.3	—	1.5	2.9	10.0	2.6	7.1	5.1	6.8	4.7	14.0	1.6	5.8	4.5	Ward
6.1	1.8	4.7	2.4	1.5	1.7	10.0	3.9	0.6	0.8	5.7	3.0	2.3	—	2.6	—	Penney
18.2	10.2	2.3	2.4	10.6	13.1	6.7	9.5	8.4	6.9	9.1	6.4	9.3	17.3	1.9	4.2	Department store
—	3.9	—	3.6	3.0	9.1	—	2.2	7.1	5.4	10.2	13.6	2.4	2.1	3.2	3.3	Catalog showroom
33.3	22.3	58.2	63.8	36.4	37.8	30.0	29.3	18.1	32.9	22.7	23.4	58.1	61.2	56.4	64.9	Specialty store
21.2	13.8	11.8	13.4	25.8	17.2	6.7	5.1	12.9	4.6	21.6	13.3	—	8.7	12.9	8.1	All others

*Households that bought in 1983, might buy in 1984. Base: all who named a store.

*Moderate economic vulnerability**

Answering machine		Watch		Garage opener		35mm camera		Instant camera		Telephone		Bathroom scale		
'83	'84	'83	'84	'83	'84	'83	'84	'83	'84	'83	'84	'83	'84	
2.7%	2.7%	30.1%	6.5%	2.6%	2.7%	6.8%	3.7%	7.0%	2.6%	13.8%	10.9%	8.6%	3.4%	Outlet
2.9	8.1	10.3	9.0	2.6	4.2	5.4	8.6	18.2	14.3	4.6	4.1	14.4	13.3	K mart
4.4	16.2	18.9	18.9	5.1	4.7	7.8	17.1	19.0	24.3	11.9	7.0	19.2	24.6	Other discounters
7.4	11.6	3.8	6.1	53.8	47.5	3.9	5.9	7.3	6.5	—	1.8	8.0	22.1	Sears
—	1.7	2.2	2.8	2.6	2.1	1.6	4.8	2.9	7.2	0.9	—	5.6	8.8	Ward
—	1.7	4.9	1.5	—	1.0	1.6	2.5	5.8	0.8	2.8	—	3.2	5.6	Penney
13.2	9.3	9.2	18.1	5.1	3.4	4.7	6.9	5.1	8.8	7.3	2.0	12.8	16.2	Department store
18.3	5.3	15.1	13.7	2.6	—	16.3	11.4	11.7	2.1	—	5.4	13.6	5.0	Catalog showroom
39.7	47.6	16.2	22.7	2.6	8.6	30.0	35.2	13.1	26.7	65.2	74.0	2.4	1.7	Specialty store
22.1	8.8	19.4	9.2	25.6	28.5	20.7	7.5	16.9	9.3	7.3	5.7	20.8	2.7	All others

*Households that bought in 1983, might buy in 1984. Base: all who named a store.

*Low economic vulnerability**

Glassware tumbler		DIY instruction manual		Romance book		Smoke detector		Sewing pattern		Facial moisturizer		
'83	'84	'83	'84	'83	'84	'83	'84	'83	'84	'83	'84	
15.5%	4.5%	13.0%	6.1%	15.1%	8.9%	12.1%	4.8%	17.6%	9.5%	28.6%	15.4%	Outlet
12.9	16.3	2.8	6.9	3.8	6.5	15.0	10.4	5.6	6.4	4.7	5.0	K mart
17.9	26.6	4.7	6.5	6.7	6.8	19.6	16.1	9.0	13.5	2.4	9.7	Other discounters
2.0	2.1	4.2	3.7	1.0	—	17.8	25.0	3.4	1.9	1.2	—	Sears
2.5	3.7	0.9	1.6	—	—	5.6	2.9	—	—	—	0.9	Ward
3.0	3.4	—	0.7	—	0.8	—	—	—	2.5	2.4	—	Penney
17.4	15.2	3.7	3.2	4.8	1.6	3.7	8.6	4.5	4.6	11.6	20.5	Department store
5.0	7.1	—	—	1.0	—	3.7	4.4	—	—	—	0.7	Catalog showroom
10.9	6.9	32.6	41.5	39.4	36.0	11.2	13.7	71.9	68.2	4.7	9.0	Specialty store
28.4	18.7	51.1	35.9	43.3	48.3	23.4	18.9	5.6	2.9	72.8	54.2	All others

*Households that bought in 1983, might buy in 1984. Base: all who named a store.

Spending triumphs over saving

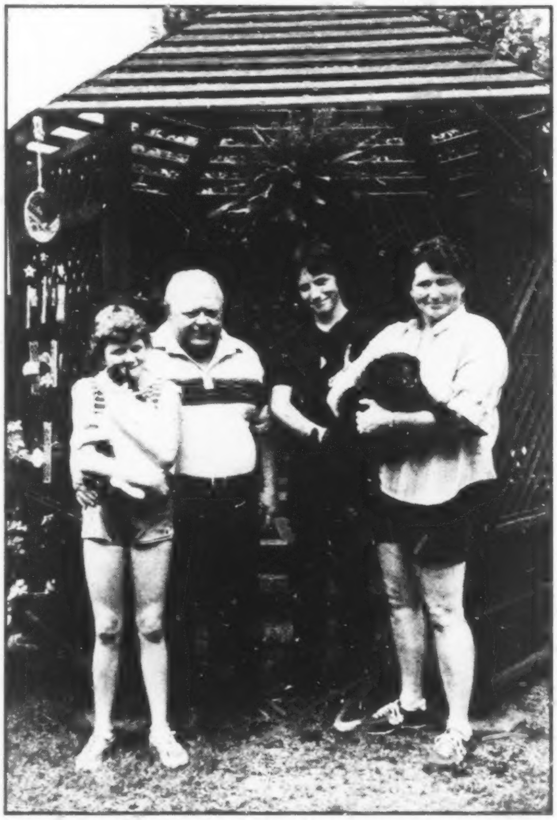
Before she ever lays eyes on her paycheck, about 10% of Linda Bowers Duncan's net salary is skimmed into "forced" savings programs—profit-sharing and savings bonds. "The only kind of saving I do well," says the 40-year-old retail chain department manager, "is if they take it out before I see it."

Duncan is a hedger, constantly torn between spending and saving. But more likely than not, the Torrance, Calif., family's combined income of $25,000-$30,000 (including Duncan's retired father's social security payments and child support for Jason, 14, and Jennifer, 10½) is spent, not saved. Some of the "forced" savings are "rainy day," Duncan says—perhaps for college for the kids or for the future in general. Extra cash is saved for a short period, usually with a goal in mind. Last year's income tax refund, for example, has been earmarked for a vacation in Hawaii for the divorcee and her two children and tickets for the '84 Los Angeles Olympics.

Although Duncan looks for "good buys," she's not above spending impulsively. In the last two years, the family acquired a BetaVision ("on the spur of the moment," Duncan admits), a VIC-20 computer for Jason plus add-ons and software, an Intellivision II game player, a new microwave ("even though the old one was still good") and a hot tub, bought for Dad for therapeutic reasons, although it has since become a family gathering place.

The family lives thriftily—"we don't eat out or smoke or drink, and we cut back on credit cards and gifts"—and the general economic downturn has had little impact on their spending habits.

"The house is paid for," says Duncan. "Our biggest expenses are clothing, food and insurance." Since her salary has kept ahead of inflation, she has felt confident enough to spend on a new car, vacations and home entertainment items that the whole family uses. While the Bowers-Duncan clan has wholeheartedly embraced the consumer electronics revolution, it tends to be more cautious when it comes to apparel and home improvement needs.



The Bowers-Duncans: thrifty living, impulse buying.

Though she has a plethora of stores to shop in the Greater Los Angeles Area, Duncan rarely shops around—but not without regrets. The computer cost over $200; now, says Duncan, the price has dropped to $189.99. She was forced to look elsewhere for a disc drive; however, even though her first-choice store offered a raincheck, she found the same item for less elsewhere.

Duncan mainly shops stores she's already familiar with, seeking quality and trusted store or brand names. "We've always bought quality—that hasn't changed," she says. "We've never bought at discount places like K mart or Gemco. I'd rather spend a little more and not get junk." She generally goes to department stores for apparel, although she does pick up basics at the chains—Levi's at Sears, underwear at Penney's.

Name alone is not enough when it comes to picking brands, Duncan feels. "There are a lot of name brands I never buy, either because I don't know them or [in apparel] I don't like the way the item fits," she says. She'll buy a store brand, particularly in hard lines, if she knows the store has a reputation for quality and backs up its products. When her father ran a machine shop before his retirement, she notes, he always bought tools that "had to last—either Black & Decker or Sears." She'll buy only from an established merchant: "I want to be sure the store's going to be there to fix it."

Since Duncan usually carries little cash, purchases are paid for by check or credit card. Cards are mainly reserved for impulse purchases (almost always "good deals," she says) and big-ticket items. She expects her credit card spending to remain about the same this year as last, although she'd like to lower her balances. "I pay a lot in interest," she explains.

Would she give up her credit cards if it meant saving a little? Not likely. "Credit cards are an American institution," she says. "But you have to control yourself. You can't let them get away from you."

Brands key to jeans shoppers

No store preference		Product	No brand preference	
1983	1984		1983	1984
8.6%	10.1%	Jeans (all)	23.8%	27.3%
11.3	11.5	Men's jeans	23.4	29.0
6.1	8.8	Women's jeans	24.2	25.7
14.8	12.9	Athletic shoes (all)	33.6	26.8
13.2	18.3	Men's athletic shoes	35.3	28.8
16.7	6.7	Women's athletic shoes	31.5	24.4
NS	13.1	Activewear (all)	NS	69.2
18.2	18.4	Men's activewear	69.1	73.5
NS	8.6	Women's activewear	NS	65.5
7.8	11.7	Infant sleeper	60.9	52.4
9.3	7.7	Children's overalls	41.7	47.4
NS	9.7	Bra/panties set	NS	57.0
NS	6.1	Dress (work or casual)	NS	84.8
12.3	12.1	Men's dress shirt	50.0	52.3
15.1	14.5	Men's casual slacks	55.8	59.8
NC	23.2	Men's fashion underwear	NC	47.8

NS Not studied
NC Not comparable

Source: *CSA*/Leo Shapiro & Associates

Store/brand loyalties rise

No store preference*				No brand preference*		
% 1981	% 1982	% 1983	Product	% 1981	% 1982	% 1983
38.2	33.5	38.1	Home computer	45.1	31.9	26.4
NS	NS	17.8	Computer program	NS	NS	27.7
57.7	37.0	32.3	Video tape recorder	54.4	39.6	33.8
18.6	30.5	9.5	Video game machine	29.5	22.9	13.7
40.9	20.4	22.8	Telephone	38.8	42.0	42.7
58.3	32.9	24.4	Phone answering machine	62.9	44.1	46.4
NS	NS	19.4	Blank video tape	NS	NS	35.7
NS	15.4	12.7	Personal portable stereo	NS	27.0	22.7
NS	17.8	16.0	Car stereo	NS	25.2	33.9
56.0	29.2	24.9	Microwave oven	58.6	33.0	29.9
NS	18.7	25.9	Microwave bakeware	NS	30.0	41.8
NS	NS	14.4	Glass tumbler	NS	NS	50.7
NS	NS	15.6	Enamel/porcelain tea kettle	NS	NS	54.9
NS	NS	16.5	Vacuum cleaner	NS	NS	18.3
NS	NS	4.9	Bathroom scale	NS	NS	50.0
NS	NS	14.1	Place mat	NS	NS	61.2
NS	NS	10.5	Portable fan	NS	NS	34.6
NS	NS	21.9	Smoke detector	NS	NS	42.0
NS	NS	22.2	Garage door opener	NS	NS	29.6
42.9	22.7	22.0	Electronic bug killer	58.3	54.8	59.1
45.8	31.9	20.6	Barbecue grill	56.9	46.0	43.2
NS	NS	25.5	Patio furniture	NS	NS	55.3
49.0	23.0	20.4	35mm camera	39.7	21.9	12.2
26.1	28.0	9.3	Instant camera	25.0	29.3	15.1
NS	NS	24.6	Home photo developing equipment	NS	NS	31.7
46.2	21.3	8.2	Home exercise equipment	56.7	60.9	42.1
31.3	15.9	13.8	Bicycle	36.2	34.9	32.3
NS	NS	9.8	Tennis racket	NS	NS	31.4
40.2	25.3	26.2	Steel file cabinet	55.0	51.4	55.3
NS	23.5	27.5	Typewriter	NS	27.5	35.2
NS	NS	22.7	Printing calculator	NS	NS	36.2
NS	14.0	14.8	Sewing pattern	NS	18.7	26.6
NS	19.5	12.0	Craft kit	NS	50.1	54.3
NS	NS	12.3	Paperback romance novel	NS	NS	41.5
NS	NS	12.2	DIY instruction book/manual	NS	NS	55.4
49.9	24.3	17.4	Luggage	51.1	37.6	35.3
NS	NS	8.9	Recliner chair	NS	NS	30.9
NS	NS	15.9	Watch	NS	NS	18.7
NS	NS	11.8	Facial moisturizer	NS	NS	18.6

* Percentage of consumers without preference.
NS Not studied

Source: CSA/Leo Shapiro & Associates

joyed larger shares.

Store, brand preferences

For the second straight year, consumers displayed stronger store and brand preferences.

CSA/Shapiro has studied 14 identical hard lines items in the three years of the national polling. For all products, consumers were asked at what store they would shop and what brand, including store brand, they would buy.

In every instance the percentage of consumers with no store preference declined.

Eleven products pulled in greater brand preference scores, with two—electronic bug killers and steel file cabinets—marginally behind their '81 scores.

Twenty-three of the 39 hard lines products had 20% or lower "no store" preference. Last year only 15 products had less than a 20% ranking, and three products enjoyed that distinction in '81. This year six products managed to bring in at least a 90% store preference score, vs. no such distinction in both prior years.

In the brand preference tabulation, six products garnered 20% or lower ratings, vs. two in '82 and one in '81.

Apparel generally showed higher store preference and comparable brand preference to hard lines. In the year-to-year comparisons of apparel, three products—women's athletic shoes, men's dress shirts and children's overalls—had higher store preference percentages. Three others—men's casual slacks, men's jeans and men's activewear—had slight decreases.

Men's and women's athletic shoes and infant sleepers were the only products to achieve higher brand preferences, with women's jeans suffering a small decrease.

Best bets and even money

The nation's better economic picture produced firmer purchase patterns than a year ago. *CSA*/Shapiro found that purchase incidence vastly exceeded intentions expressed last year, a condition to be expected during a period of resurgence.

For '84, *CSA*/Shapiro uncovered five best bets and at least 15 even-money prospects. Home computers and software, telephone answering machines, microwave ovens and automatic garage door openers are best bets because the percentage of households that said they might buy these products in '84 exceeded the number that purchased them in '83.

The 15 other products, ranging from video cassette recorders and

Department stores retain favored status*

Product	All households		K mart		Other discounters		Sears		Ward		Penney		Department store		Off-price	
	'83	'84	'83	'84	'83	'84	'83	'84	'83	'84	'83	'84	'83	'84	'83	'84
Jeans (all)	58.8%	59.3%	7.3%	6.7%	5.6%	9.6%	11.1%	11.2%	1.3%	1.7%	10.3%	8.3%	32.1%	28.3%	6.0%	4.9%
Men's jeans	57.4	58.5	8.2	6.9	7.3	7.8	9.1	13.8	0.9	1.7	13.6	10.3	27.3	19.8	5.5	4.3
Women's jeans	60.3	60.2	6.5	6.5	4.0	11.3	12.9	8.9	1.6	1.6	7.3	6.5	36.3	36.3	6.4	5.6
Athletic shoes (all)	28.0	43.1	6.7	8.3	10.6	8.3	6.7	6.5	1.0	1.8	3.8	5.9	11.5	13.6	—	2.4
Men's athletic shoes	31.2	46.4	10.2	10.6	6.8	5.9	10.2	5.9	—	3.5	1.7	5.9	11.9	11.8	—	1.2
Women's athletic shoes	24.6	39.8	2.2	6.0	15.6	10.7	2.2	7.1	2.2	—	6.7	6.0	11.1	15.5	—	3.6
Activewear (all)	NS	23.8	NS	15.1	NS	8.6	NS	10.8	NS	1.1	NS	7.5	NS	35.5	NS	4.4
Men's activewear	12.5	21.9	—	22.5	4.4	10.0	13.3	17.5	—	2.5	17.8	2.5	40.0	30.0	6.7	2.5
Women's activewear	NS	25.7	NS	9.4	NS	7.5	NS	5.7	NS	—	NS	11.3	NS	39.6	NS	5.7
Infant sleeper	7.2	11.4	16.9	17.6	16.9	7.7	22.0	18.7	3.4	3.3	10.2	11.0	17.0	30.8	—	—
Children's overall	12.2	17.3	18.4	14.6	11.2	9.7	20.4	16.0	2.0	2.8	10.2	16.0	21.4	28.5	3.0	4.9
Bra/panties set	NS	25.0	NS	5.9	NS	6.9	NS	14.7	NS	2.9	NS	8.8	NS	43.2	NS	4.0
Dress (work or casual)	NS	43.4	NS	2.2	NS	5.4	NS	7.6	NS	1.1	NS	7.6	NS	48.9	NS	3.3
Men's dress shirt	24.1	58.9	4.3	4.3	5.4	2.6	14.0	15.5	3.2	2.6	11.8	9.5	26.9	31.9	7.6	1.7
Men's casual slacks	19.6	52.2	1.4	4.0	2.7	2.0	15.1	14.0	2.7	3.0	12.3	10.0	35.6	30.0	4.1	2.0
Men's fashion underwear	NC	15.4	NC	7.5	NC	5.7	NC	13.2	NC	—	NC	7.5	NC	43.4	NC	5.7

Source: *CSA*/Leo Shapiro & Associates NS Not studied NC Not comparable *Households that might buy. Base: all who named a store.

Mountain/W.N. Central states strongest buying intentions

Product	New England	Mid-Atlantic	East North Central	West North Central	South Atlantic	East South Central	West South Central	Mountain	Pacific
Home computer	—	+	—	+	+^{R}	—	—^{R}	+	+
Computer program	+	?	?	?	—	—	+	?	?
Video tape recorder	—	?	—^{R}	+	—	+^{R}	—	+	?
Video game machine	?	?	—	+	?	+	—^{R}	+^{R}	—^{R}
Telephone	—	?	?	+	?	—	?	–	+
Phone answering machine	—	?	—	+^{R}	—	—	?	+	+
Blank video tape	?	—	?	—	—	—	+	+	?
Personal portable stereo	+	—^{R}	?	+^{R}	?	—	—	+	?
Car stereo	?	—	—	+	?	—	?	+	+
Microwave oven	+^{R}	—	—	+	—	?	+	?	—^{R}
Microwave bakeware	?	—	—	+	—^{R}	?	+	+	?
Glass tumbler	+	?	—	?	—	—	?	+	?

+ Favorable buying intentions **?Moderate buying intentions** **—Poor buying intentions**

^{R}Reversal from 1982 (either + to – or — to +)

New England: Me., N.H., Mass., Vt., Conn., R.I. *Mid-Atlantic:* N.Y., N.J., Pa. *East North Central:* Ohio, Wis., Mich., Ill., Ind. *West North Central:* Minn., Iowa, Mo., Kan., Neb., S.D., N.D. *South Atlantic:* Del., D.C., Va., W. Va., N.C., S.C., Ga., Fla. *East South Central:* Ky., Tenn., Ala., Miss. *West South Central:* Ark., La., Okla., Tex. *Mountain:* Mont., Idaho, Wyo., Colo., N.M., Ariz., Utah, Nev. *Pacific:* Wash., Ore., Calif., Alaska, Hawaii.

Source: *CSA* Leo Shapiro & Associates

vacuum cleaners to 35mm cameras and recliner chairs, represent real opportunities because the "might buy" percentages equaled at least half of the demand during '83.

Comparing consumer purchases for identical items during the three years of the study reveals some insights in product life cycles.

Telephones and computers, along with microwave ovens and bakeware, 35mm cameras, personal portable stereos, electronic bug killers and sewing patterns fall into steady growth patterns. Despite 1982's sour economy, purchases increased each year.

Video games shared that cyclical behavior, but the strong 10.8% showing of '83 is seen more as a last-ditch effort by game makers and retailers to dump inventory in response to the low-end computer business than a deep-seeded strength in category.

Video cassette recorders, telephone answering machines, home exercise equipment and steel file cabinets have see-saw buying patterns, with '83 being a year in which sales rebounded even higher than 1981's level.

Stagnant markets are seen for bicycles, typewriters, car stereos and craft kits, while trouble may be brewing for barbecue grills, ag-

Specialty store		Other		
'83	'84	'83	'84	Product
22.6%	23.3%	3.7%	6.0%	Jeans (all)
21.8	29.3	6.3	6.1	Men's jeans
23.4	17.7	1.6	5.6	Women's jeans
57.7	50.3	2.0	2.9	Athletic shoes (all)
57.6	51.8	1.6	3.4	Men's athletic shoes
57.8	48.8	2.2	2.3	Women's athletic shoes
NS	14.0	NS	3.0	Activewear (all)
17.8	12.5	—	—	Men's activewear
NS	15.0	NS	5.8	Women's activewear
10.2	9.9	3.4	1.0	Infant sleeper
10.2	5.6	3.2	4.7	Children's overall
NS	9.8	NS	3.0	Bra/panties set
NS	21.7	NS	2.2	Dress (work or casual)
24.7	29.3	2.1	2.6	Men's dress shirt
26.0	34.0	0.1	1.0	Men's casual slacks
NC	15.1	NC	1.9	Men's fashion underwear

gage and instant cameras. For each of the last three products, sales in '83 came in below '81.

Regional selling strategies

Where consumers will be shopping is as important as what they are buying. This year's *CSA*/Shapiro study shows that New England is enjoying a recovery while the Pacific Coast States are less vigorous than in the past.

A year ago New England provided marketers with few customer prospects for hard lines. The overall condition was classified as poor. That signal has changed to moderate.

Moderate also describes the Pacific region, a territory that had previously been favorable in '81 and '82. The seven other sections of the country kept the same designations of last year.

The regional breakouts provide a gauge of how easy it will be for retailers to find shoppers predisposed to buying each product. Measurements were rated against the norm. For those falling within the norm, a question mark in the charts signifies buyer ambivalence. Those favorably inclined to purchase an item are represented by a plus sign. Responses below the norm are shown with minus signs. ☐

Mountain/W.N. Central states strongest buying intentions

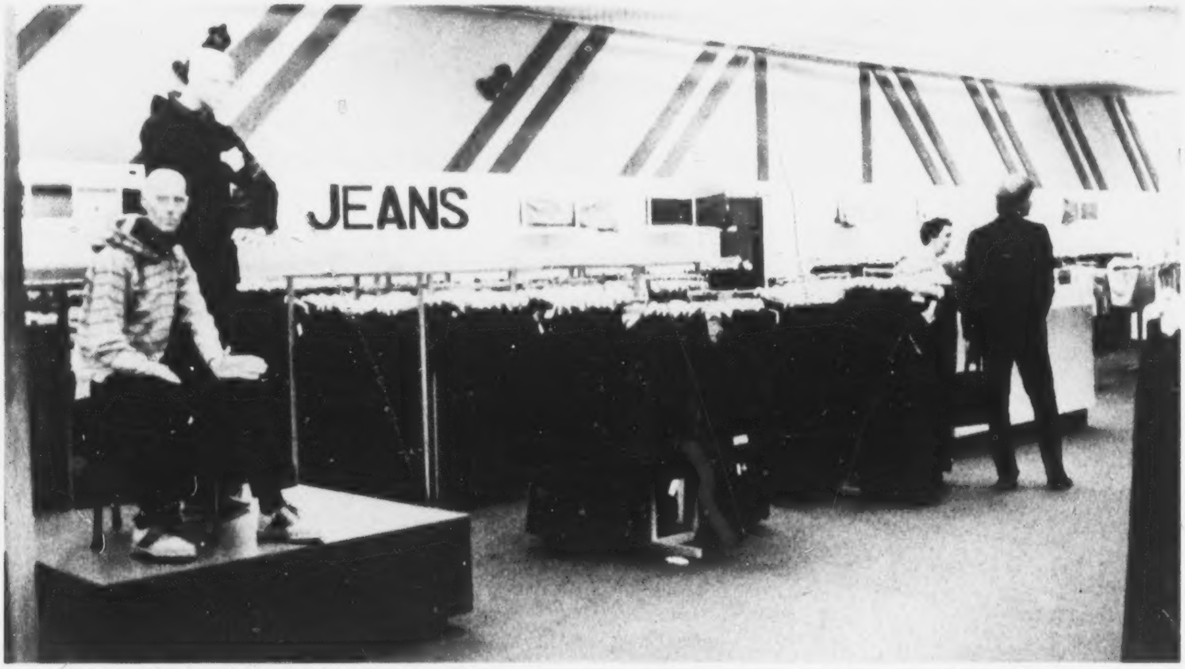
Product	New England	Mid-Atlantic	East North Central	West North Central	South Atlantic	East South Central	West South Central	Mountain	Pacific
Portable fan	?	—	?	?	?	—	+	?	?
Smoke detector	?	?	—	?	?	+	—	—	?
Garage door opener	?	—	+	+	—	—	—	—	?
Electronic bug killer	—	—	—	+^{R}	+	—	+	—	?
Barbecue grill	?	—^{R}	?	?	?	—	?	+	?
Patio furniture	?	?	—	?	?	—	—	+	?
35mm camera	—	—^{R}	+^{R}	+	—	—	+	?	?
Instant camera	—	?	—	+	—	—	+	—^{R}	?
Home photo develop. equip.	?	+	—	+	—	—	—	+	+
Home exercise equip.	+^{R}	—	?	?	—	—	?	+	?
Bicycle	+^{R}	?	?	+	—^{R}	?	—	?	?
Tennis racket	+	+	—	—	—	—	+	+	?
Steel file cabinet	—	?	+^{R}	+	?	—	—	+	—^{R}
Typewriter	+^{R}	?	—	?	?	—	?	+	?
Printing calculator	+	?	—	—	—	—	+	+	+
Sewing pattern	+	—	?	+	—	?	—	+	?
Craft kit	+^{R}	—^{R}	?	+	—	—	—	?	?
Paperback romance novel	?	+	—	—	—	+	—	+	?
DIY instruct. book/ manual	?	+	—	—	—	—	—	+	+
Luggage	?	?	—	?	?	—	—^{R}	+^{R}	?
Recliner chair	—	—	?	—	+	—	+	?	?
Watch	?	?	?	—	?	+	—	?	?
Facial moistur.	?	?	?	+	—	+	?	—	?
Enamel/ porcelain tea kettle	—	+	—	—	?	—	?	—	+
Vacuum cleaner	?	?	—	?	?	—	—	+	?
Bathroom scale	+	—	?	?	?	—	?	?	—
Place mat	?	?	—	?	—	+	+	—	—

+ Favorable buying intentions **?Moderate buying intentions** **—Poor buying intentions**

^{R}Reversal from 1982 (either + to – or – to +)

New England: Me., N.H., Mass., Vt., Conn., R.I. *Mid-Atlantic:* N.Y., N.J., Pa. *East North Central:* Ohio, Wis., Mich., Ill., Ind. *West North Central:* Minn., Iowa, Mo., Kan., Neb., S.D., N.D. *South Atlantic:* Del., D.C., Va., W. Va., N.C., S.C., Ga., Fla. *East South Central:* Ky., Tenn., Ala., Miss. *West South Central:* Ark., La., Okla., Tex. *Mountain:* Mont., Idaho, Wyo., Colo., N.M., Ariz., Utah, Nev. *Pacific:* Wash., Ore., Calif., Alaska, Hawaii

Source: *CSA*/Leo Shapiro & Associates



***More men are buying jeans** in specialty stores; have department stores been too quick to cut assortments?*

Jeans' popularity still riding high

For the second year in a row, the majority of shoppers polled in the *CSA*/Shapiro survey indicated they intended to purchase jeans. This year, however, a greater number said they were not shopping for brands.

The lack of preference for brands follows a trend among consumers to buy what *they* perceive is quality merchandise, not what is being touted as quality, say industry observers.

Nearly 25% more men cited no brand preference. In the 1982 study, a little over 23% admitted they were indifferent to brands; this year the number jumped to 29%. Women also showed less preference toward brands, although the increase was not as great (5.8%). For 1982, a little over 24% were apathetic to brands; this year 1 in 4 feels that way.

Of the brands named, Levi's was tops on both men's and women's shopping lists, with nearly 1 in 3 consumers planning to purchase this brand, an increase of 8.4% over last year. Women are chiefly responsible for the increase: An additional 49.1% stated they expected to buy Levi's in '84. By contrast, fewer men anticipated buying the brand this year; their number dipped 15.2%.

Lee topped Wrangler as the No. 2 name brand listed by all consumers. About 42% more women said they would shop for Lee jeans, while 50% more men claimed they would buy this brand. Wrangler dropped in popularity, with 28% fewer shoppers maintaining they would buy this brand.

Designer jeans continued to fall from consumer grace. Less than 5% of American shoppers claimed they would purchase Calvin Klein, Jordache or Sasson. Store brands also fell from favor. Last year nearly 17% of all consumers said they would seek a store brand; this year, a little under 11% favored this kind of brand, a drop of 35.1%.

As they have done in the past two years, women elected to buy their jeans in department stores. In fact, the same number of women, 36.3%, said they would buy jeans in department stores this year.

In the coming year, 27.5% fewer men expected to browse keystoners: Instead, they named spe-

Brands lose favor with consumers

	1983			1984		
	All shoppers	Women	Men	All shoppers	Women	Men
Levi	29.7%	21.2%	38.7%	32.2%	31.6%	32.8%
Lee	6.3	8.3	4.0	9.0	11.8	6.1
Wrangler	8.2	7.6	8.9	6.4	3.7	9.2
Calvin Klein	3.1	3.0	3.2	2.2	2.9	1.5
Jordache	2.3	3.0	1.6	1.9	2.9	0.8
Brittania	0.4	0.8	—	0.7	0.7	0.8
Sasson	0.8	1.5	—	0.7	1.5	—
Store brand	16.8	16.7	16.9	10.9	8.1	13.7
Other	8.6	13.6	3.2	8.6	11.0	6.1
Not answering	23.8	24.3	23.5	27.4	25.8	29.0

Source: *CSA*/Leo Shapiro & Associates

cialty stores, perhaps indicating that department stores may have moved too hastily in cutting back jeans assortments for men.

Despite the catalog chains' push to garner a bigger apparel base, more women are not stepping up their commitment to purchasing jeans at Sears or Penney—31% fewer women said they would shop Sears in 1984, while 10.9% fewer would go to Penney. However, the same number of women—1.6%—will head to Ward's in 1984.

In men's jeans, the effect of Levi's at Sears and Penney is unclear. Nearly 34% more men would shop Sears for jeans in 1984 than 1983. Nonetheless, 24% fewer men would shop Penney for jeans next year, according to the *CSA*/Shapiro data.

Roughly the same number of shoppers who said they would go to K mart in 1983 would also head there in 1984. But more men and women would go to other discounters next year. Last year, 4% of the women said they would shop all other discounters. This year, 11.3% would go to these stores, reflecting a hefty hike of 183%. Men, however, were not quite as hearty in their approval of discounters. About 7% more men would shop this type of store.

Men and women were at odds about how much they would pay for jeans. Nearly 1 in 3 women said they would shell out between $20 and $24.99. Not so men: More than 1 in 3 said they would fork over between $15.99 and $20, the popular price points for both men and women last year. The majority of men surveyed maintained they would pay $19.99 or less, while most women would not pay more than $24.99.

This year, nearly 60% of both men and women anticipated buying jeans—just slightly more than last year (58.8%). As might be expected, consumers age 45 and under make up the major audience for jeans. ☐

Activewear finds comfortable niche

Activewear is well on its way to becoming a standard element in many Americans' wardrobes. It has become so acceptable, in fact, that those who voted for the 1984 Olympic athletes' parade apparel chose activewear over a more traditional blazer and skirt/pants combo and Western wear.

The percentage of men and women who plan to buy activewear in the coming year has doubled since the item was first tracked in the *CSA*/Shapiro survey in 1981. Back then, only 7.9% of men and 12.4% of women thought they might shop for activewear in the near future. In the most recent poll, 21.9% of men and 25.7% of women had activewear on their minds.

It's likely that a broader range of Americans, from toddlers to grandmothers, will be sporting active ensembles in the next year. The category, however, gets its strongest boosters from the 30-39 age group among both men and women, unchanged from the 1981 survey.

This year a larger percentage of older women are more likely to buy activewear than men in the same age group. Of those polled, 24.2% of women age 35-44 planned to buy activewear; only 16.4% of men the same age planned to do so.

But only those most able to afford leisurewear plan to buy it. Both men and women said they'd delay buying if they had to curb spending—a continuation of the trend found two years earlier. Only slightly more than 1 in 10 shoppers whose income has been affected by the wavering economy this year planned to buy activewear. More than half of the women surveyed had already cut their clothing budgets. Only 36.2% of men had cut out clothing in general, but 57.1% believed activewear was something they could do without if they took any further cuts.

Two years ago the most popular price range for both men's and women's activewear (picked by 42.9% of consumers) was $30-$29.99; this

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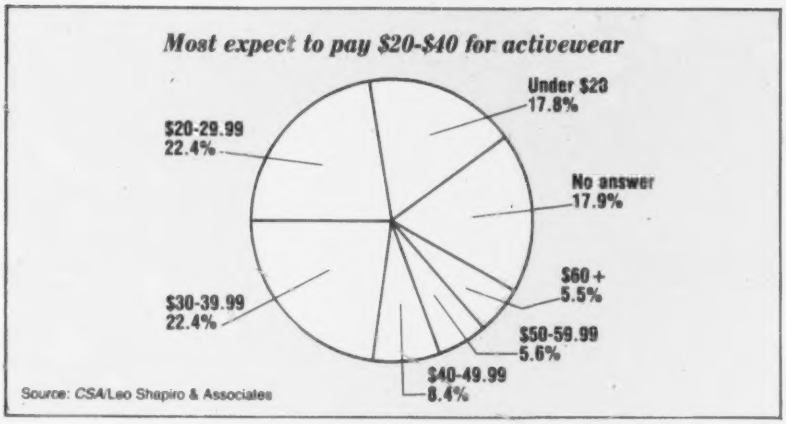


Most expect to pay $20-$40 for activewear

Source: *CSA*/Leo Shapiro & Associates

National brands of activewear *lost ground to store brands and no brands.*

year, the largest percentage of consumers (22.4%) is willing to spend $30-$39.99. The top price point is generally $39.99, but 1 in 10 men believed he'd pay $50-$59.99.

Despite their willingness to spend slightly more for activewear than in the past, shoppers are not brand-conscious. No one national brand was designated a "must buy"; names like Nike, Adidas, Jantzen and Champion appealed to fewer than 1 in 10 shoppers. Store brands, in fact, were the most frequently named brands in the '83 survey. Only slightly more than 1 in 10 shoppers planned to buy a house label, however; two years ago, one-fifth of both men and women were looking for store brands. Of all the apparel categories tracked, activewear had the largest percentage of respondents with no brand preference. Almost three-fourths of the men queried and two-thirds of the women didn't know what brand they planned to buy.

Even though they expected to pay more for activewear than two years ago, shoppers are planning to go to less expensive stores. In the '81 study, the largest group of both men and women opted to buy activewear at department stores. In the '83 survey, that's still the case with women, but discounters caught on surprisingly well with men. In 1981, only 3.4% of the men surveyed planned to shop discounters; in 1983, 32.5% would patronize discounters—an almost tenfold increase. The percentage of women planning to shop discounters remained the same (17%) for the two periods.

Perhaps female shoppers have known all along that they could find value-oriented activewear at discounters, while men took two years to figure it out. The fact that more discounters are now carrying national brands of functional activewear as well as fashion-oriented private label and moderate brands may have done the trick, too.

Losers in the market share battle were J. C. Penney, Montgomery Ward, sporting goods chains and specialty stores among male shoppers. Female shoppers remained truer to their shopping patterns of two years ago, with a few shifting from Sears to Penney (much stronger with women than men in '83) and from specialty stores to department stores. □

Department stores tops in bras/panties

The profile of the consumer who buys bra/panty sets is almost identical to the shopper targeted by the department store: More than one-third are between the ages of 30 and 39, have some college experience or a college degree and have a household income of $20,000 or more.

It's not surprising, then, that this shopper prefers to buy bra/panty sets at department and specialty stores. With these stores offering wide selection and convenient displays, over 50% of the women surveyed by *CSA*/Shapiro expected to purchase these items there in 1984.

One in four women said they would buy bras that coordinated with panties, reflecting the trend toward more sophisticated lingerie being purchased in the marketplace, say buyers.

If women can't find what they want at department stores, they'll head to Sears next. Over 14% of American women elected to buy matching bras and panties at the nation's No. 1 retailer, while Penney was the choice of only 3.8%.

K mart trailed behind Penney by less than three percentage points. Industry observers say this may be due to the impact of "brands for less" merchandise in K mart's lingerie department. The discounter has been able to make a sizable dent in this category, say watchers, who claim in other categories the store has not garnered this kind of consumer commitment. Other discounters attracted less than 7% of consumer traffic for matching bra and panty sets.

Despite the fact that shoppers intended to buy at department stores, they did not show great interest in brand names. No brand earned double-digit recognition. Vanity Fair and Maidenform shared top honors with shoppers, but this was only with 5.3% of those surveyed. They were followed by Olga, with 4.4%, and Playtex and Bali, both with 3.5%.

Store brands, however, racked up the largest following. Over 13% of

Who buys bra/panty sets?

	% of polling base	% of bra and panty shoppers	% difference
Age: 25-44 years old	42.0	52.7	+25.5
Income: Over $20,000	47.0	55.4	+17.9
Schooling: Some college/ college graduate	42.2	50.0	+18.5

Source: *CSA* Leo Shapiro & Associates

those polled said they would buy private labels. But the majority did not give any name brand or store brand preference.

Most shoppers expressed concern with price. Very few were willing to pay more than $25 for matching bras and panties. In fact, $25 and above accounted for only 10.6%. The majority of women claimed they would pay between $10 and $24.99. A little more than 1 in 5 said they would purchase bra and panty sets between $5 and $9.99.

Where women live plays a role in determining whether they will buy matching bras and panties. Women residing in the East North Central, West North Central, East South Central and West South Central regions are more likely to buy these items than women living in other areas of the country. Preppie New Englanders, in fact, are the least likely to purchase matching sets, perhaps reflecting their conservative roots. ☐

***Parents of children under 2** are the most likely group to buy overalls.*

More parents to buy overalls in '84

If retailers doubt there is a baby boom occurring, they can take heed from the results of the latest *CSA*/Shapiro survey. Forty per cent more consumers said they would buy children's overalls in 1984 than in 1983.

In '84, nearly 1 in 5 parents would buy overalls for their children. Parents with infants 2 years old or younger are most likely to purchase this item, followed by those with tots between the ages of 3 and 5. Even those parents with kids age 12 to 17 indicated they would shop for overalls.

These parents, however, don't intend to pay more this year than they did last year. In fact, designated price points are almost identical: One in 3 parents said they would shell out between $10 and $14.99 (similar to last year), 28.8% would plunk down between $5 and $9.99 and 14.1% between $15 and $19.99.

Where there is a noticeable difference between last year's results and this year's is in brand preference. Parents are becoming more vocal about branded clothing for children. OshKosh again was the brand leader, raising its score from 6.2% to 12.2%. It was followed by Health-tex, Levi, Wrangler and Lee.

Designer apparel, according to the *CSA*/Shapiro data, appears to be fading in importance. The only "designer" line mentioned by shoppers was Jordache, and this was cited by just 1.3% of parents. Store brands also took a beating, dropping 15.2% in popularity in the last two years. But they still commanded an impressive 20.5% of all mentions.

In addition, consumers appear to be shifting store allegiance. Department stores gained consumer acceptance. Last year, a little more than 1 in 5 said they would shop these stores. This year, nearly 30% showed preference for this type of store, a 33% increase. Industry observers attribute this to the increased attention paid by stores such as Macy's and Marshall Field's to children's wear.

Branded children's apparel is growing in importance
(% shoppers who might buy)

	1983	1984
OshKosh	6.2%	12.2%
Health-tex	5.7	5.8
Levi	5.2	3.8
Wrangler	2.1	2.8
Lee	1.5	2.8
Carter	4.1	1.3
Jordache	—	1.3
Garanimals	0.5	0.6
Store brand	24.2	20.5
Other	8.7	1.9
Not answering	41.8	47.4

Source: *CSA* Leo Shapiro & Associates

Of the three catalog chains, Penney scored the highest increase. This year 16% gave the nod to Penney's, a gain of 36%. Sears, on the other hand, lost favor with shoppers; about 22% fewer consumers than last year said they would go there.

What's more, shoppers didn't vote in favor of K mart or all other discounters. Both categories lost ground, with 20.6% fewer consumers mentioning K mart and 13.4% fewer shoppers preferring other discounters.

Income doesn't play a large role in determining whether a parent will buy overalls. Those parents with household incomes over $20,000 are just as likely to buy children's overalls as those with incomes under $20,000. ☐

SHOES
Wrangler
SHOES
SHOES
SHO

Women are less likely than men to buy a store brand of athletic footwear.

Athletic shoes broaden appeal

The percentage of American men and women planning to buy athletic shoes has been steadily increasing for the last three years, according to the *CSA*/Shapiro surveys. Two years ago, when shoes were first tracked, only 22.3% of men and 28.4% of women planned to buy sport shoes in the coming year. Today, more than twice as many men (46.4%) and a significantly higher percentage of women (39.8%) have athletic shoes on their shopping lists for next year.

Athletic shoes are also appealing to a broader range of ages. For men, shoes still have the strongest pull with men under 25; nearly half of this age group planned to buy next year. But more than a quarter of men age 45-54 also were in the market for athletic shoes—twice as many as last year.

Women between 25 and 44 are the most likely to buy athletic shoes in the next year, with about 3 in 10 planning a purchase. Here again, the interested age group has grown. Last year, athletic footwear was strongest with women under 25, with about one-quarter of that group planning to buy. This year, about the same percentage of the under 25's plan to buy athletic shoes, but larger percentages of older women are showing interest. Among those 35-44, for example, twice as many (30.8% vs. 14.5%) planned to buy athletic shoes in '84 as opposed '83.

For the three years, the largest group of both men and women who were planning to buy had incomes in the $20,000-$30,000 range. Those most positive about the economy and their incomes were also the most likely to buy. For the three years studied, the percentage of women who claimed they would not postpone buying athletic shoes—over 50%—remained virtually unchanged. In 1981 and 1983, men were equally divided between postponing the purchase and buying. Last year, however, more than two-thirds of the respondents would not delay buying.

Both men and women expected to pay a few dollars more for athletic footwear than they did in the past two years. One-third expected to pay between $20 and $30.

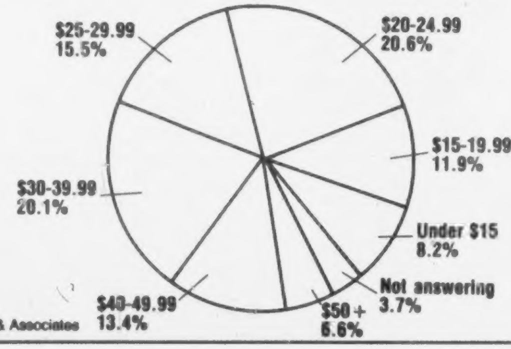
Men were more undecided this year about where they planned to buy, with a higher percentage (18.3% this year vs. 13.2% last year) listing no store preference. Men generally continued the same shopping pattern of the last two years. The largest percentage planned to shop specialty stores, though the rating dropped by 5.8%. Sears also lost about 5%.

Women were more likely to shop at Sears, a department store or an off-price chain than they had been in the past two years.

Nike increased its pull among women, with more than [illegible] out of 10 planning to buy that brand. More than twice as many women planned to buy Adidas than in the '81 survey. Other brands fared less well, and fewer women planned to buy a store brand this year than last, which ties in with their lack of interest in shopping the catalog chains.

Nike gained some strength among men since the '81 study, although it slipped somewhat from last year's high of 30.9% recognition. Men were nearly twice as likely to buy a store brand of athletic shoes this year as in '81, and more than twice as likely to buy store brands than women. ☐

$20-$40 most acceptable price for athletic shoes



Source:
CSA/Leo Shapiro & Associates

Fashion briefs: new basics?

Only 15.4% of the national sample of men surveyed by *CSA/* Shapiro felt they'd be buying fashion underwear—colored basic styles and low-rise briefs—in the next year. Of the 10 apparel items tracked, fashion briefs had the lowest shopping incidence.

However, men who do show interest in fashion underwear are determined. Even if their incomes are threatened, these potential shoppers do not expect to postpone buying. This indicates that fashion briefs have become a staple garment, replacing plain underwear in certain wardrobes.

Those who feel positive about the economy are still the most likely to shop for fashion briefs. Even four out of 10 potential buyers who thought they might lose their jobs or have to take a cut in income next year still planned to buy fashion underwear.

Only one third of potential fashion underwear buyers indicated they would delay buying if they cut back on spending. Except for children's items, fashion underwear was the least likely apparel item of those tracked that shoppers would postpone buying. Half of the potential underwear shoppers said they had already cut back on clothing purchases, but fashion underwear was still in their budget.

To boost sales, manufacturers and stores should attempt to appeal to older customers. The largest group (38.5%) of those planning to make purchases in the next year fell into the 25-34 age group. Younger men were also very much interested in fashion—almost one third of those under 25 indicated they planned to buy fashion briefs in the coming year.

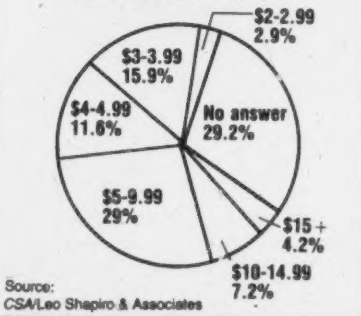
The target customer is a young, well-educated professional. About one third of those planning to buy earned between $20,000 and $30,000; another quarter earned over $40,000. However, fashion underwear seems to be catching on with blue-collar workers as well. While managers indicated a strong preference for fashion looks, so did laborers.

Price apparently is no object. The largest number of men (29%) expected to pay $5-$9.99. Only 2.9% expected to pay between $2 and $2.99, or what the average pair of all-cotton white briefs costs. Another 4.2% thought they'd have to shell out more than $15 for fashion underwear. These price ranges, however, may indicate that men plan to buy fashion underwear in multipacks, much as they would basic white. Nevertheless, the higher price points associated with fashion briefs, and consumers' willingness to pay those prices, should translate into profits for men's furnishings departments.

Perhaps because they expected to pay a lot for fashion underwear, the largest percentage of men (43.4%) planned to shop at department stores. Discount stores ran neck-and-neck with Sears (each with 13.2% of shoppers) as the place to go for fashion underwear. Surprisingly, Penney, which carries its own Lupo brand as well as national brands, was the source for only 7.5% of the survey respondents.

Jockey and Fruit of the Loom enjoyed the strongest brand recognition. Only a very few shoppers named Wrangler, Levi's or Sasson as underwear brands they planned to buy. Apparently, shoppers have not made the transition from jeans to underwear for these brands. Almost 1 in 10 shoppers planned to buy a store brand of fashion underwear—good news for Sears and Penney, less so for Montgomery Ward, which no one named as a store he planned to shop for fashion underwear. □

Fashion underwear doesn't come cheap
(price expected to pay)



Source:
CSA/Leo Shapiro & Associates

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Young men want jeans alternatives

Young men under 25 showed the strongest interest in buying casual slacks next year, according to the *CSA*/Shapiro survey. Nearly 37% of men under 25 in the survey said they'd be in the market for a pair of casual slacks.

Overall, more than half of all men queried this year said they'd be in the market for casual slacks. In 1982, only 19.6% said they planned to buy in the coming year.

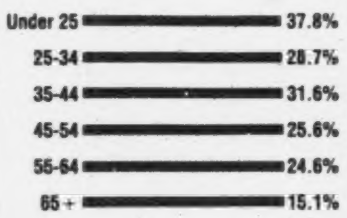
Are men growing bored with denim jeans? Apparently not. In every age group except those age 55 and up, a larger percentage of men planned to buy jeans than casual slacks. However, the percentage of men indicating interest in casual slacks this year more closely parallels that of jeans. Last year, while only 19.6% of men said they might buy casual slacks, 57.4% planned to buy jeans. This year, while 58.5% planned to buy jeans, 52.2% also planned on buying casual slacks.

Men expected to spend about the same amount this year as last on casual slacks. More than half would pay between $20 and $39.99, with the $30-$39.99 price range being the limit for nearly one-fourth of those surveyed.

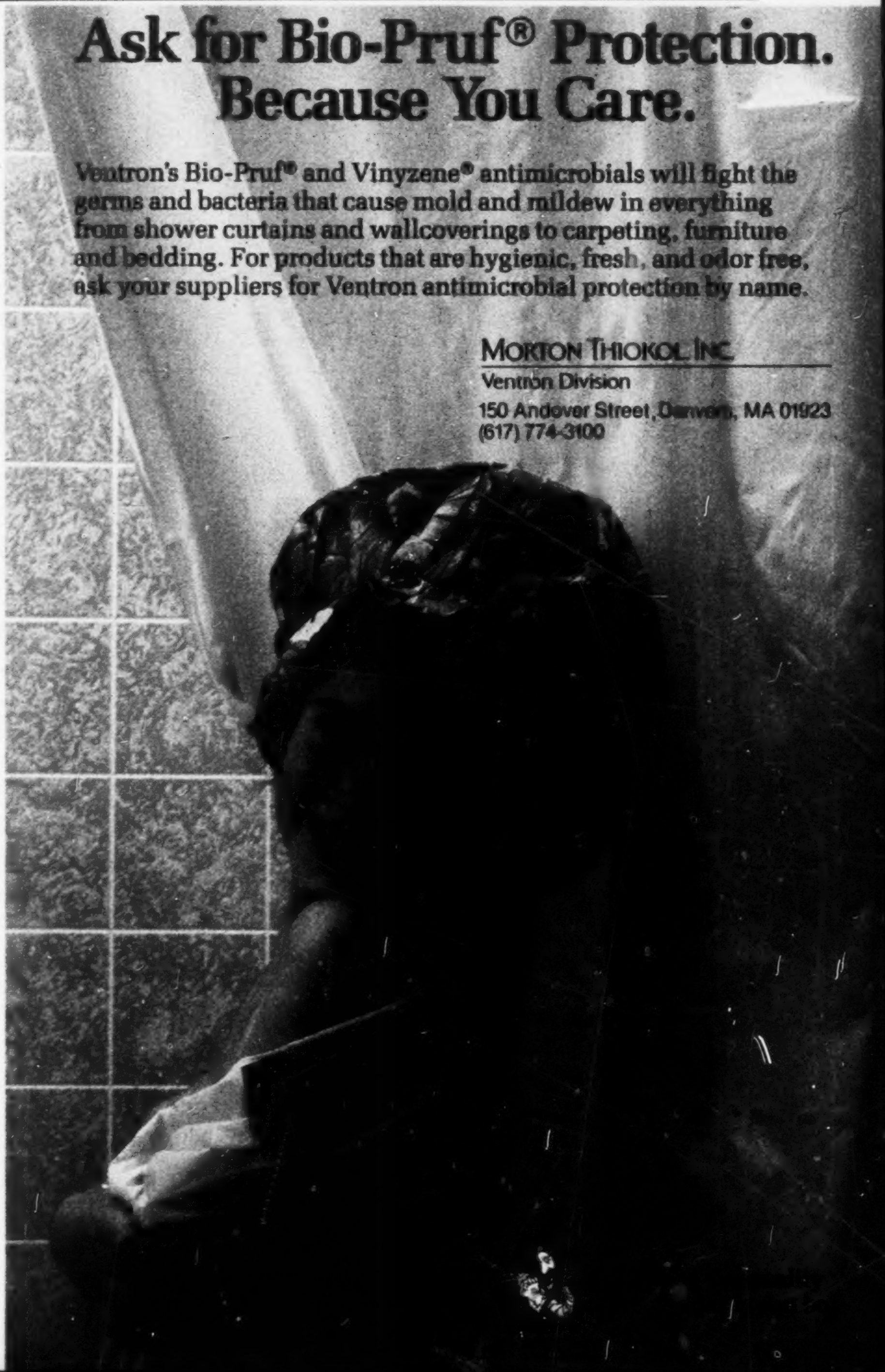
While apparel prices have generally stayed below the inflation rate, men can expect to pay about the same as last year because they're shopping more price-oriented stores. Last year, department stores were the first place men would look for casual slacks, with 35.6% planning to shop there. This year, about the same number will shop department stores, but specialty stores are topping the list (34% of men plan to go there, up from 26% last year). The catalog chains retained their following, and more men planned to shop discount chains.

Demand for national brands is up slightly. The most-wanted brand is still Haggar, with 13.7% of respondents listing it as a brand they planned to buy. Fewer than 1 in 10 men planned to buy any other specific national brands, such as Levi's, Farah, Lee or Sasson. Almost as many men planned to buy store brands as planned to buy Haggar. Last year, the percentage of men who planned to buy store brands and Haggar was nearly identical. ☐

Young men want casual slacks
(% of age group interested in buying)



Source: *CSA*/Leo Shapiro & Associates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Price slips as buying influence

Quality was mentioned *for the first time as a reason to shop K mart.*

Housewares consumers' attitudes reflect the improving economic picture, notes this year's *CSA*/Shapiro study.

Compared to last year's survey, selection and quality became more important deciding factors in choosing a store for housewares. Price/discount fell considerably but remained the No. 1 deciding criterion.

Department stores reflected the greatest consumer shift from price/discount to quality and selection, suggesting shoppers have noticed the stores' recent emphasis on better housewares assortments.

Of all consumers planning to make a housewares purchase this year, 18.5% say low prices influence their department store choice. This represents a decline of 24.7 percentage points over last year's figure. Those choosing selection as the primary reason to shop a store rose from 15.4% to 25.2% in 1983; those selecting quality increased from 9.7% to 17.8%.

Reasons for shopping Montgomery Ward also followed the trend. From 1982 to 1983, price/discount declined from 28.5% to 17.5% as the deciding factor. Those who said quality influenced their decision rose from 5.4% in '82 to 8.9% in '83.

Interestingly, selection—which didn't even appear as a reason to shop Ward in the 1982 poll—was mentioned by 12.5% of the prospective housewares shoppers this year. This reflects positively on Ward's new housewares mix, most evident in the Ford City, Ill., store's assortment of goods keynoted by brand name products for the first time.

Sears also showed a shift away from price/discount as the primary factor motivating customers. Surprisingly, however, quality and service/repair guarantee were also down as influencing factors, though quality remained the second strongest reason customers visit Sears. Selection rose significantly from 8% in '82 to 14.4% in '83.

Unlike the reasons given for shopping the majority of retailers, prospective J. C. Penney shoppers said the No. 1 reason to shop this mass merchant was selection. From 1982 to 1983, the percentage of shoppers noting selection nearly doubled. And those mentioning price/discount as the primary rea-

Quality, selection play large role in housewares store choice

	K mart		Other discounters		Sears		Ward		Penney		Department store		Catalog showroom		Specialty store		Mail order		Factory outlet	
Deciding factor	'82 %	'83 %	'82 %	'83 %	'82 %	'83 %	'82 %	'83 %	'82 %	'83 %	'82 %	'83 %	'82 %	'83 %	'82 %	'83 %	'82 %	'83 %	'82 %	'83 %
Price/discount	63.2	60.9	74.7	58.6	22.3	20.9	28.5	17.5	4.2	26.7	43.2	18.5	75.4	67.2	50.8	27.9	61.4	51.7	71.0	66.1
Selection	7.4	3.9	2.0	9.3	8.0	14.4	—	12.5	14.3	31.8	15.4	25.2	6.8	6.2	16.1	17.0	—	12.6	—	7.0
Quality	—	3.3	4.9	5.7	23.1	15.4	5.4	8.9	10.0	10.6	9.7	17.8	6.8	5.3	11.7	18.0	23.3	18.5	15.9	—
Satisfaction/past experience	5.7	5.2	0.7	3.0	14.0	13.1	28.7	9.6	4.3	5.0	12.8	10.3	—	7.8	2.8	12.1	—	—	—	—
Location/convenience	18.2	15.0	13.6	15.6	13.7	14.4	10.9	22.2	—	15.7	13.5	10.2	4.8	10.2	4.4	10.9	8.8	—	—	—
Have an account there/credit	—	1.3	—	2.5	2.0	8.4	20.9	10.0	29.4	10.1	1.1	7.6	—	4.0	3.9	—	—	17.2	—	—
Service/repair guarantee	1.8	—	0.5	—	10.2	7.1	—	—	4.2	—	1.9	0.7	—	—	4.2	4.2	—	—	—	—
Reputation/well-known	—	0.7	—	—	2.8	2.2	—	8.4	5.9	—	—	2.1	—	—	—	1.2	—	—	—	—
Other/not answering	3.7	0.7	3.3	6.1	4.7	4.1	5.6	4.9	10.7	0.1	2.4	7.6	6.2	0.1	4.9	6.7	6.5	0.0	13.1	26.9

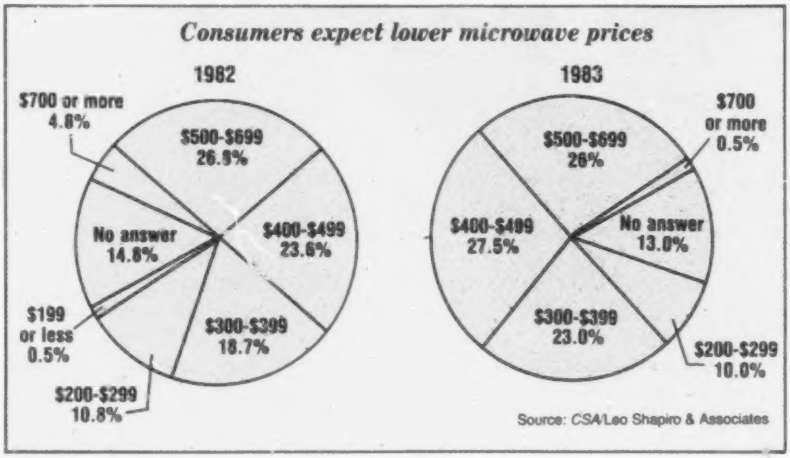
Source: *CSA*/Leo Shapiro & Associates

son rose from 4.2% to 26.7% during the same period. Factors not as important to Penney customers this year as last included quality, service and store reputation.

Price/discount as the deciding criterion for shopping K mart also increased this year over last. However, other discounters showed a decline of 16.1 percentage points.

While the importance of selection decreased in K mart store choice, quality appeared for the first time, noted by 3.3% of the shoppers. Both reasons showed added strength this year over last at all other discounters. □

Almost 2 out of 5 microwave shoppers will choose a store because of price.



Consumers expect lower microwave prices

Source: *CSA*/Leo Shapiro & Associates

Sharp prices move microwave ovens

If retailers plan to sell microwave ovens, they'd better be sharp on prices and in stock on advertised brands. Contrary to the overall housewares picture, price became more important to consumers in choosing a store for microwave ovens. Additionally, this year's *CSA*/Shapiro survey shows that the category has the highest percentage of prospective housewares consumers committed to an advertised brand (55.9%), up slightly from the 1982 study (53.1%).

Intentions to buy a microwave oven have also increased this year, after having dropped off slightly between 1981 and 1982. And for every person reported buying a microwave in '83, the survey indicates a prospective buyer in '84.

However, those who are shopping for a microwave are not as active as those who were actively shopping the year before. This suggests that while consumers are more inclined to buy this year, they have not yet begun to act.

When they do start shopping, almost 2 out of every 5 will visit a store because of price—an increase of 12.2 percentage points over those mentioning price as the motivating reason to shop a store last year.

Selection and quality also gained in importance during the past year. Those consumers saying quality influences their store choice rose from 11.4% in '82 to 12.6% in '83, while those saying selection jumped 4.4% to 10.9%.

The survey also indicates that consumers' perception of the Big 3 chains as featuring low prices, quality merchandise and wide selections has grown over the past year. Shoppers named Sears, J. C. Penney and Montgomery Ward most frequently for the second year in a row as the place they would shop for microwave ovens. Of this year's group, 41.5% expressed interest in these merchants, compared with 35.4% who did last year.

Appliance stores, with their broad selections, were the second most frequently named retailers, representing 21.9% of the prospective shoppers. Discounters ranked third with 12.3%, followed by department stores with 9.5%.

Last year, when price wasn't as strong a consideration as it is this year, department stores rated as the second most popular place to look for microwaves. This was followed by appliance stores (14.6%), product specialty stores (9.9%) and discounters (8.7%).

Similarly, mass merchants snared the lion's share of actual microwave purchases in the past two years. In this year's study, more than half were made at the Big 3: Sears accounted for 33.3%, and Penney and Ward each comprised 10%. This compares with last year's 23.5%, 10.4% and 4.1% for Sears, Ward and Penney, respectively.

Again, appliance stores ranked second.

Not surprisingly, consumer expectation of price has been very realistic in the past two studies. This year, 1 out of every 2 shoppers expected to pay between $300 and $499, while 10% anticipated a lower price tag and 26.5% a higher one.

By comparison, approximately 2 out of 5 thought they would spend between $300 and $499 in '83 while 11.3% expected to spend less and 31.6% expected more.

Besides watching prices, prospective microwave consumers are brand-conscious. More than 50% of the respondents said they wanted a nationally advertised brand, and approximately 15% said they wanted a store brand. Of those specifically mentioning a brand, 20% named General Electric, 15% said Amana, 13% chose Litton and 7% named either a Kenmore or Sears. Other brands named less frequently included Tappan, Hitachi, Panasonic and Sharp. When finally purchasing, many consumers apparently switch to Sears. ☐

Micro cookware brands fall flat

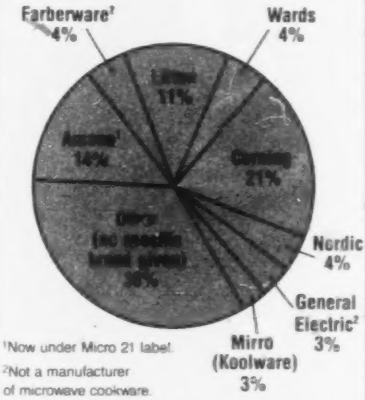
Microwave bakeware and accessories could prove to be a lucrative business for all retailers as long as consumers aren't forced to cut back on spending in 1984. The recent *CSA*/Shapiro study shows that this category provides more opportunity for higher margins since customers are significantly less interested in store or nationally advertised brands, leaving room for sales of lesser-known brands.

In fact, 2 out of every 5 shoppers polled this year were not committed to a brand. This compares with 1 out of every 3 who reported no brand preference in last year's survey.

Of those remaining respondents in 1983, 42.4% wanted a national brand, down from 54.4% in '82. Another 15.8% of this year's group preferred the store brand (15.6% last year).

Surprisingly, of all brands mentioned, two suppliers—Farberware and General Electric—aren't even in the microwave cookware business. And a third company, Amana, which was noted as the second most preferred brand, has been divesting itself of these products to a sister company, Micro 21, for the past two years.

Cookware preferences pack brand-new surprises



[1] Now under Micro 21 label.

[2] Not a manufacturer of microwave cookware.

Source: *CSA*/Leo Shapiro & Associates

While consumer confusion is to be expected in Amana's case, perhaps the other two misconceptions can be explained by GE's strong ties to the microwave oven business and Farberware's solid presence in the cookware category. In any event, the misunderstandings point out two things: (1) Almost 1 out of every 5 shoppers who wants an advertised brand is not aware of the brands available, and (2) quality brand names from reputable housewares manufacturers stand a chance against the most popular brands, Corning and Litton (see chart).

More than one-third of shoppers polled had no idea of price. And while price/discount remained the primary consideration when choosing a store to shop at this year, consumers were less concerned with this issue and more interested in quality merchandise and wide selections.

Most consumers mentioning a price were realistic in their expectations. The majority expected to pay less than $50, and nearly half anticipated a price tag under $30. Last year's survey showed similar results. ☐

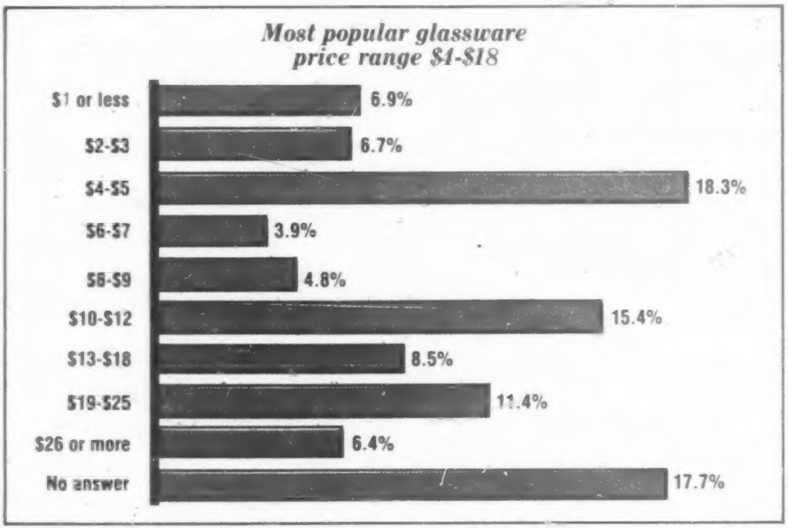
Low prices put sparkle in glassware

Low price may be the deciding factor in the sale of glassware sets, the 1983 *CSA*/Shapiro study indicates. Three times more shoppers bought some glassware in the past year than those who said they might buy in the coming year.

Considering that savers generally put money away for a rainy day and survivors live "hand to mouth," it comes as no surprise that the hedgers—those who can't decide whether to save or to spend—comprise the majority of the impulse glassware buyers. They represent 38.1%, compared to 33.3% of the total buying housewares population who are also hedgers.

Additionally, glassware is expected to be one of the least expensive purchases of all 39 hard lines products tracked in this year's sur-

***Glassware** is the least likely housewares purchase to be deferred.*



vey, and the least likely housewares purchase to be deferred should shoppers cut back on spending. The majority of prospective glassware consumers expected to pay less than $16 for the merchandise, suggesting they planned to buy either 4- or 6-packs or promotional sets. All things considered, the price tag is a reasonable one for multiple items in today's economy.

Another 17.7% of all shoppers didn't have any idea as to price, so they would be buying the merchandise blindly. Perhaps it is these shoppers, unable to pass up relatively low prices, who account for the high percentage of impulse sales.

Accordingly, low prices and discounts are the No. 1 factor influencing where consumers will shop for glassware. Two out of every 5 shoppers said they would select a store solely on this criterion. Location/convenience was the second strongest drawing card, mentioned by 16.2% of those polled.

Discounters were named by 42.9% as the place they were most likely to shop for glassware. Of this group, K mart was mentioned by 16.3%, and 30.8% of those who actually bought did so at discounters, indicating that consumers perceive that these merchants feature glassware at the best prices.

Department stores rated as the second most likely outlet to be shopped. However, fewer respondents (15.2%) said they would shop these merchants than said K mart. The Big 3 catalog chains attracted only 9.1%. The findings were similar when it came to where consumers actually bought glassware. □

Unplanned buys may tip scale sales

Bathroom scales are low on the shopping lists of consumers for 1984. Of the 39 hard lines products tracked in this year's *CSA*/Shapiro study, this category ranked in the bottom third for prospective shoppers during the next 12 months.

The majority of consumers polled would put this purchase off should they curb family spending. This is the second most likely housewares item to be deferred (microwave ovens are No. 1). But price does not appear to be a deterrent here as it is with microwave ovens. Almost 2 out of every 3 shoppers expected to pay between $15 and $30, a relatively low price compared with microwaves with a majority range between $300 and $499. Another 10.5% of the scale shoppers anticipated lower retails and 15.7% expect higher.

Considering that consumers are more weight-, health- and exercise-conscious today than ever before, these results are surprising. They suggest that the bathroom scale market is quite saturated.

But the survey also shows that there is a small market committed to buying scales next year no matter what. In fact, for nearly every three consumers who reported purchasing a scale in the past 12 months, there was one planning to buy one during the next year.

The three most important factors influencing consumers' choice of store are (in order of priority) pricing, location and selection. Discounters, apparently, offer all three since the survey shows they were the No. 1 choice for shopping and purchasing intentions, noted by more than one-third of the respondents in each instance.

The second most shopped retailers were the Big 3 catalog chains, followed by department stores.

Less than a third *of scale shoppers are committed to a particular brand.*

Advertised scale brands carry little weight

Category	Store brand	Advertised brand	No preference
Microwave ovens	14.2%	55.9%	29.9%
Microwave cookware	15.8	42.4	41.8
Glassware	14.2	35.1	50.7
Tea kettles	17.1	28.1	54.8
Vacuum cleaners	35.7	46.0	18.3
Bathroom scales	19.2	30.7	50.1
Place mats	16.0	22.8	61.2
Portable fans	25.4	40.0	34.6

Source: *CSA*/Leo Shapiro & Associates

However, both of these retail tiers showed difficulty in converting shoppers to buyers, suggesting their pricing or selection isn't quite right.

Brands are of little importance to bathroom scale shoppers. Unlike the shoppers of most housewares items tracked this year, less than a third of the scale consumers were committed to an advertised brand. Moreover, 1 out of every 2 shoppers had no brand preference at all. This provides retailers with an opportunity to merchandise any label they choose and still maintain sales and margins. □

Fashion sways place mat choices

Low prices and fashion may be triggering impulse sales of place mats, according to the *CSA*/Shapiro poll. As in the case of glassware, three times as many consumers bought place mats last year as those planning purchases this year, suggesting that many consumers buy these products unexpectedly.

The relatively low cost of the merchandise appears to be a key. Approximately 53% of the prospective consumers anticipated purchases to be less than $5 and more than two-thirds expected prices to be less than $12. Items in this category are the least expensive of all eight housewares subjects studied this year.

Moreover, place mat consumers potentially have more discretionary dollars than other housewares consumers. Excluding tea kettle shoppers, they have the highest percentage of two or fewer persons per household than any other housewares home.

Fashion, too, is contributing to the unexpected sales. The survey shows that 3 out of 5 place mat consumers had no brand preference. This suggests that something else —perhaps fashion—is enticing customers to the category.

Additionally, department stores, known for their fashion lines, were named by 40.4% of all place mat shoppers as the first place they'd go for this merchandise. Another 26.5% would shop discounters and 21.2% would choose the Big 3 catalog chains.

Place mat homes: two people, no kids

Category	Two or fewer persons in household	No children
Place mats	48.6%	60.5%
Tea kettles	50.9	64.2
Microwave ovens	42.3	51.4
Microwave cookware	45.0	53.5
Glassware	40.2	53.8
Vacuum cleaners	35.6	52.2
Bathroom scales	39.3	51.5
Portable fans	42.3	56.8

Source: *CSA*/Leo Shapiro & Associates

However, when it boils down to where shoppers are actually purchasing place mats, it appears the customers are disappointed in department stores and the Big 3. Department stores declined to 26.6% of past purchasers, and the Big 3 slid to 14.9%. Discounters, on the other hand, picked up slightly, rising to 29.4%.

When asked what influenced them to shop a particular store, almost as many respondents said selection as store discounts. Again this implies a concern for fashion, and differs significantly from the other housewares categories in which price was by far the leading factor. □

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Most shoppers put a $20 ceiling on what they would pay for smoke detectors.

Price critical for smoke alarms

Smoke detector sales may dip noticeably next year, according to the latest *CSA*/Shapiro consumer poll. If so, this already promotional classification will become even more price-competitive—good news for discounters that have already garnered a large share of the market.

In the recent survey, more than twice as many shoppers said they purchased a smoke detector in the past year compared with those who said they might buy the home safety devices. The results, in fact, may reflect an already mature market that has reaped the benefits of local regulations requiring smoke detectors in apartments.

Price remains the most important consideration among smoke detector prospects, despite indications that satisfaction with a specific retailer is an initial factor.

Of those shoppers who might buy a smoke detector next year, 25% named Sears as a possible outlet, followed by discount stores (not including K mart) at 16.1%, hardware stores (11.8%) and K mart (10.4%). But discounters garnered a larger market share of actual purchases, according to the survey.

Almost 20% of those who bought a smoke detector named a discount store as their preferred outlet, K mart at 15% and Sears with 17.8% (more than a 40% decline in the "might buy/have bought" comparisons).

The average price shoppers expected to pay was $26, with a majority (52%) anticipating a $10-$20 price tag.

The average smoke detector shopper is a middle-low-income apartment dweller who is a prime discount store prospect. According to the survey, more than 35% are between 20 and 34 years old, 41.9% earn less than $20,000 and 39.3% have only a high school degree.

In one positive trend, a majority of smoke detector prospects said they would not delay purchasing the safety device even if forced to cut back on family spending (only 36 of the 39 products tracked enjoyed this classification by consumers).

Who's likely to buy a smoke detector

Indicator	% of polling base	% of smoke detector shoppers	% difference
Age:			
20-29	20.6	20.3	− 1.5
30-34	13.8	14.9	+ 8.0
35-39	10.5	12.7	+21.0
Income:			
Under $20,000	46.7	41.9	−10.3
$20,000-30,000	27.5	28.1	+ 2.2
Job:			
Professional	11.9	17.5	+47.1
Craftsman	10.2	11.5	+12.7
Clerical/sales	11.9	17.6	+47.9
Education:			
High school	36.7	39.3	+ 7.1
Some college	21.6	22.0	+ 1.9
College/post-graduate	23.9	26.2	+ 9.6

Source: *CSA*/Leo Shapiro & Associates

And despite the shrinking market, retailers have the opportunity to tap this safety-conscious shopper by piggybacking smoke detectors onto other home protection devices and merchandising the products in a total package. For nondiscounters, this may be an alternative to strictly promotional price-cutting. Sears, for one, is already merchandising home safety equipment such as safety ladders, fire extinguishers and alarms in a gondola run. ☐

Sears dominates garage openers

Chicago-based Sears has few peers among retailers of garage door openers and should maintain its grip throughout 1984, according to the *CSA*/Shapiro consumer survey.

More than 47% of garage opener prospects said they would purchase the product at Sears. Hardware stores were a distant second at 13.1%, followed by specialty outlets (8.6%). Of those who had already purchased a garage door opener, 53.8% named Sears, followed by the garage sale/private party classification (10.3%).

Garage opener prospects cited low prices as the most important criterion for choosing a retailer, but selection and quality—characteristics consumers often attach to Sears' hard lines—were also primary requirements (22.5%).

Unlike shoppers of many products in the 39 hard lines consumer poll, garage opener prospects were ambivalent about advertised brand merchandise. More than 27% named a store brand when asked which brand they would purchase—the second highest percentage among products tracked in the survey. Another 29.6% said they had no brand preference—a prime opportunity for Sears and other store brand retailers to beef up sales.

Not surprisingly, the garage opener shopper is an affluent homeowner. Almost 53% of the prospects earn more than $30,000 annually (vs. 25% of the polling base), while 1 out of 4 earns more than $40,000 a year. More than 36% hold either professional or managerial jobs (compared with 25.8% of the sample), and 35.6% are between 45 and 59 years old.

Garage door opener shopper: older, more affluent

Indicator	% of polling base	% of garage shoppers	% difference
Age:			
30-34	13.8	18.5	+ 34.1
45-59	21.5	35.6	+ 65.6
Income:			
$30,000 +	25.0	52.9	+111.6
Children:			
1 to 2 children	33.2	32.7	− 1.5
6-17 years old	38.8	40.3	+ 3.9
Job:			
Professional/ manager	25.8	36.3	+ 40.7
Sales	6.1	10.5	+ 72.1

Source: *CSA*/Leo Shapiro & Associates

Shoppers are somewhat confused about how much a garage door opener would cost. One out of 5 polled refused to speculate, while those who answered named amounts ranging from a low of $36 to as much as $400. More than 66% (85.1% of all who answered) said they would expect to pay from $100 to $299. The average price named was $185.

As with other high-income groups, these shoppers are more optimistic about their financial future. While 64.5% said they would delay their garage opener purchase if forced to cut back family spending, it appears that few of the group will slash expenses next year. In fact, 54.1% said they expected their income to increase in the next 12 months (compared with 45% of the polling base) and believe it will also be easier to meet expenses. And a majority—more than 53% (compared with the 46.5% polling base)—believe it's an opportune time to purchase a high-ticket item.

But unless GMers are more aggressive in this classification, Sears is likely to dominate the market with its strong selection and reputation for service and quality. Retailers cannot depend solely on advertised brands and low prices to exploit this market. ☐

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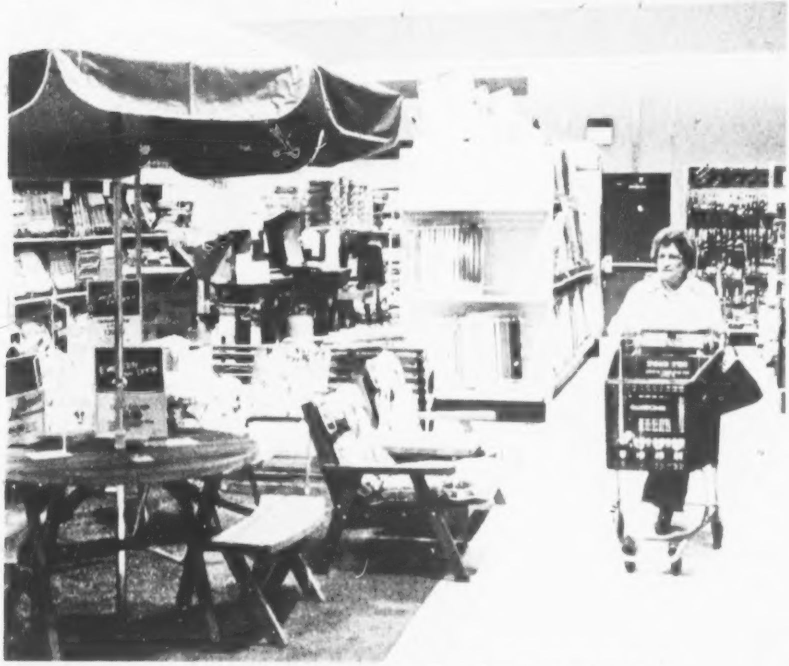
Quality key for patio furniture



***Consumers put** the average price for an outdoor furniture set at $360.*

When consumers begin to search for a set of patio furniture, price is the initial criterion, and shoppers often flock to their local discounter. But many of them are soon siphoned off to department stores and specialty outlets as quality and selection also become important considerations—standards many discounters fail to meet in this lawn and garden classification.

This trend appears in the latest *CSA*/Shapiro consumer poll. For example, 29.6% of those shoppers who said they might buy patio furniture in the coming year named a discounter as their preferred outlet, followed by specialty stores (22.3%), Sears (14.4%) and full-line department stores (10.2%).

Those who already purchased patio furniture, however, painted a different picture. More than 18% said they had bought patio furniture at department stores and another 33.3% at a specialty outlet; 9.1% even named flea markets. Shoppers naming discounters dropped from a 29.6% intention to 9.1% actual purchase—a 69.3% decline.

Product value, not just price, may be the reason, according to *CSA*/Shapiro results.

While price is primary (27.2%), shoppers also said quality (12.8%) and selection (11.5%) were important considerations when choosing a specific retail outlet.

High-income families biggest buyers of outdoor furniture

Indicator	% of polling base	% of patio furniture shoppers	% difference
Size of family:			
3 to 4	39.8	44.5	+11.8
Family income:			
$30,000+	25.8	46.8	+81.2
Chief breadwinner's job:			
Professional	11.9	14.3	+20.2
Manager	13.9	17.6	+26.6
Sales/ craftsman/ operative	26.2	35.2	+34.4
Education:			
College/post-graduate	23.9	31.0	+29.7
Financial status:			
Easier to get by than last year	27.1	42.6	+57.2

Source: *CSA* Leo Shapiro & Associates

The demographic profile of patio furniture shoppers supports the product value trend. These shoppers are more affluent and better-educated than the average consumer and are more willing to delay a purchase until they have enough money to buy exactly what they want. Almost 75% of those asked said they would delay buying a patio furniture set if they were forced to reduce expenses.

More than 31% of these prospects hold either professional or managerial jobs (compared with the 25.8% polling base average), earn more than $30,000 annually and have either a college or post-graduate degree. They also have a good idea what they might pay for a set (about $360)—only 1 out of 5 did not name a price range. Almost 29% said they would expect to pay between $300 and $700 for a set, while another 24% said they would pay between $150 and $300. ☐

Gas-operated grills catch on

America's love affair with the charcoal briquet may be coming to an end. Retailers this year have reported strong sales for gas-operated barbecue grills, a trend that has been tracked by recent *CSA*/Shapiro consumer polls.

More shoppers are willing to pay premium prices for barbecue grills. In the 1983 *CSA*/Shapiro survey, 14.5% of those in the market for a barbecue grill said they would pay between $99 and $150 (a popular price range for gas grills)—a whopping 208.5% increase over the 1981 poll. Another 21.8% said they would pay more than $150 for an outdoor grill (vs. 9.3% in '81). Average expected price rose to $106 from $81 last year.

The higher price points may also signal a market share shift from the traditional low-price grill outlets (discounters and drug stores, for example) to the likes of Sears, which heavily depends on quality and selection perceptions rather than the lowest price to attract shoppers.

A small but revealing shift ap-

***Close to 20% of respondents** expressed a preference for store brand barbecues.*

Trend shifts to higher-price grills

Price expectations	$10-$30	$30-$99	$100-$149	$150+	Other	N/A
1981	12.5%	26.0%	4.7%	9.3%	2.1%	45.4%
1982	17.1	31.9	7.3	16.6	0.8	26.3
1983	18.7	33.3	14.5	21.8	0.3	11.4
% change 1981 to 1983	+49.6	+28.1	+208.5	+134.4	—	—

Source: *CSA*/Leo Shapiro & Associates

peared in the 1983 survey results. Shoppers in both the "had bought" and "might buy" classifications were asked at which store they purchased or would purchase a barbecue grill.

Of those who had already purchased a grill, 8.3% named Sears. But 18.1% mentioned Sears when asked where they would consider buying a grill—a 118.1% increase. The big losers in the "had bought/might buy" shift were drug stores (9.4% to 2%), catalog showrooms (10.4% to 4.8%) and department stores (11.5% to 8.5%).

Discounters, the most popular barbecue grill outlet, increased their potential share, but the results from the store brand/ad brand preference survey may be a warning for retailers who grab market share through low-price name brand grills.

Almost 19% of shoppers in the market for a barbecue grill said they would prefer a store brand, while another 43.2% said they had no brand preference—a potential market for house brand retailers such as Sears. And for those who named the advertised brand, 43.7% said they would "definitely" consider a store brand if given the option. ☐

GMers hang on to bug killer market

In 1981 retailers were plagued by product returns when the starter motors in ultraviolet bug killers suffered blowout problems. The malfunctions were corrected, manufacturers claimed, but GMers were still in danger of losing a significant share of the insect zapper market to specialty hardware stores—outlets where consumers felt they would receive speedy service in the event of mechanical failures.

But despite indications shoppers would take their business elsewhere, consumers continued to buy bug killers at GM chains.

Last year, 21.5% of prospective consumers named hardware stores as their preferred retail outlet, according to the 1982 *CSA*/Shapiro consumer poll. But in following through, only 2.4% of those asked this year said they had bought a zapper at a hardware store.

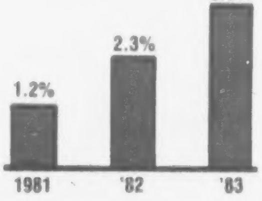
Shoppers were apparently so confident of the product's mechanical reliability that they began purchasing bug killers by mail order. In 1982, only 3.9% of those who said they might buy a zapper named mail order as a retail source. In the 1983 survey, 17.1% said they had bought a bug killer by mail order. As for chains, almost 30% of shoppers polled said they had bought a zapper at Sears, followed by discounters at 14.6%.

Home improvement centers showed strength among bug zapper prospects. Of those who said they might buy an ultraviolet killer in the coming year, 14.3% named home centers as their preferred outlet. (Of those who had bought bug zappers, only 4.9% named home improvement chains.)

Shoppers this year said they'd be willing to pay an average of $71 for the product, compared with $78 last year. And while 68.1% of the 1983 prospects said they would delay their purchase in the event of family expense cutbacks, 55.6% expect their income to increase in the next 12 months (compared with a 45% polling base average). ☐

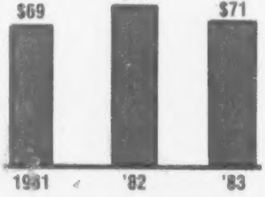
Bug killers in more households

(% households buying)



Source: *CSA*/Leo Shapiro & Associates

Bug killer prices stable



Source: *CSA*/Leo Shapiro & Associates

***Family interest** in a home computer increased with total family income.*

Computers set CE sales pace

If any retailer was in doubt about the strength of consumer demand for home computers, this year's *CSA*/Shapiro survey should set him straight. Nearly six million families said they might buy a computer in 1984, a tremendous 218.2% increase over this year.

Even better news for chain buyers is that the number of actual purchasers is far surpassing those who expressed interest in the past. Last year, 2.2% of survey respondents said they might buy a computer in '83. In fact, more than twice as many (4.6%) bought a unit.

Retailers stocking inexpensive home computers have reported exceptionally strong sales gains throughout '83. They say the steep decline in prices for the home models is the single most important factor prompting sales, followed closely by the constant barrage of publicity aimed at the public.

Despite the steady stream of price-oriented advertising, consumers still think of a home computer as an expensive item. While respondents to this year's survey said they expected to spend an average of $888 for a computer, down from $1,137 last year, most home computers are selling below $300, and complete systems are available for less than $700.

Though some broadening of the consumer base for home computers is apparent, the majority of potential purchasers are still in the better-educated and more affluent segments of the population.

The mean income reported by those who purchased a computer this year or planned on buying in '84 was $29,300. While family interest in a home computer increased with total family income, even those earning less than $20,000 are a good potential market.

More than 1 in 4 (26.3%) actual or potential purchasers of a home computer has a family income below the $20,000 mark, up 9.4% compared to 1982's study. The biggest gain came from families reporting incomes in the $15,000-$20,000 range. These people will make up 15.5% of all home computer consumers, close to their 18.3% of the total population.

Education as a factor in the home computer customer profile stabilized this year, with demand increasing steadily from people who completed more schooling. Compared to their segment of the general population, nearly one-third more of those who attended but did not graduate from college bought or planned to buy a computer. Fifty per cent more college graduates were computer shoppers, and more than twice as many of those with graduate studies were in the market for a computer for their homes, compared to their respective national bases.

Potential sales by region also shifted this year. While the Mountain and Pacific states continued to show a greater number of potential or actual purchasers compared to their segment of the national population, two-thirds more of those living in the West North Central and South Atlantic regions said they had purchased or were considering the purchase of a computer; a year ago computer purchasers represented slightly less than their portion of the population in these areas. ☐

GMers gain as home computer outlets

Type of store	% of shoppers 1981	1982	1983	% change (1981 to 1983)
K mart	0.9	11.0	4.7	+422.2
Other discounter	19.1	8.9	14.0	− 26.7
Sears	4.6	4.1	2.3	− 50.0
Ward	2.1	1.4	9.3	+342.9
Penney	1.6	3.4	4.7	+193.8
Department store	13.1	7.5	0.0	−100.0
Catalog showroom	6.3	5.5	4.7	− 25.4
Electronics specialist	25.1	39.7	30.2	+ 20.3
Computer store	5.6	7.5	27.9	+398.2
Other	21.6	11.0	2.2	− 89.8

Source: *CSA*/Lee Shapiro & Associates

Turmoil in the marketplace

Mass confusion is running rampant throughout the market for home computers. Manufacturers, many of which posted losses in the hundreds of millions of dollars this year, are reconsidering their positioning in the marketplace. Retailers are desperately searching for the right mix. And confused consumers, who are being bombarded from all sides with home computer advertising, are demonstrating all the symptoms of shell shock.

Although demand for the home microprocessors is skyrocketing, shoppers have failed to channel their preferences into any coherent brand loyalty. According to the *CSA*/Shapiro study, 7 out of 10 potential purchasers said they planned to buy an advertised brand of computer. But when it came to naming the brand they wanted, only Apple chalked up a respectable score, 37%. Commodore came in second with 1 consumer in 8 citing it as the brand he planned to purchase. No other company garnered more than 9% of shoppers.

Atari, far and away the leader in video game brand recognition, was named by only 7% of shoppers as the computer they preferred. Radio Shack, in spite of the company's national scope, was picked by only 1% of potential home computer purchasers.

Both Texas Instruments and IBM earned 9% of the customer base. But Texas Instruments has since announced it will drop out of the home computer business, and IBM's PCjr, unveiled in November and not destined for the mass market at all, won't even be available for sale through specialty stores until early next year.

Coleco's Adam, at roughly $700 the best price/value home computer package in the mass market, has yet to win a customer franchise. Production problems have allowed only a limited number of the systems into retail distribution (estimates range from 200,000 to 350,000, well below Coleco's original projections of 400,000-500,000).

Analysts say the arrival of the IBM PCjr may signal the beginning of a relatively stable home market, but none expect that stability to occur for at least another 18 months to two years. And they warn that more major computer manufacturers are going to get out of the business.

Most shoppers plan to pay under $125 for software

Price	% who plan to spend
$25 or less	12.0%
$26-$30	9.9%
$31-$35	2.0%
$36-$50	6.9%
$51-$124	6.0%
$125-$199	1.0%
$200-$299	7.9%
$300-$399	2.0%
$400-$499	4.0%
$500 or more	20.6%
Don't know	27.7%

Source: *CSA*/Leo Shapiro & Associates

Software shoppers pick specialty stores

Software programs may be the "blades" for the home computer "razor," but 3 out of 4 consumers in the *CSA*/Shapiro study said they would delay a program purchase if they curbed their spending.

However, retailers should not expect any slowing in sales next year as software shoppers are the most affluent and optimistic in the country.

Compared to the general population, twice as many potential purchasers reported family incomes above $30,000. The mean income was $31,100, the highest figure for any group of shoppers in the survey.

And when asked if they expected the economy to get better in 1984, 70.6% of potential program purchasers said yes, compared to only 55.1% of the general population.

While the sales potential for software is tremendous, general merchandise chains don't appear to be favored outlets. Nearly 2 out of 3 (63.8%) said they would go to a computer or electronics store, while only 22.8% of potential buyers named GM chains. This may give retailers pause to reconsider the often cited assumption that consumers return to the store where they bought their computers when they need software. Selection and previous satisfaction are more important for software than for computer purchases.

Full-line department stores fared the worst, with only 2.4% of shoppers saying they would buy software there. Even among those who actually bought home software this year, only 2.3% went to a department store. ☐

'Game over' signal for home video?

Demand for home video game consoles may drop off more than 40% next year, according to the *CSA*/Shapiro study.

Only 3.1% of consumers said they might buy a game console in 1984, compared to 5.3% who indicated they would buy last year. Spurred by price cuts, actual purchases hit 10.8% of households surveyed.

The steep drop-off in demand is being prompted by the dramatic decline in the price of home computers and a general waning of interest in game-playing by teenage boys, the largest consuming audience.

Unlike other products where actual purchases outstripped expectations, retailers agree that this Christmas will be the last season for the "game only" microcomputers.

Despite price cuts for game consoles bringing the cost of an Atari 2600, for example, down to about $60, shoppers are well aware that for a very few dollars more, they can purchase a home computer that will not only play the same or even bet-

George Herdst: surviving the hard way

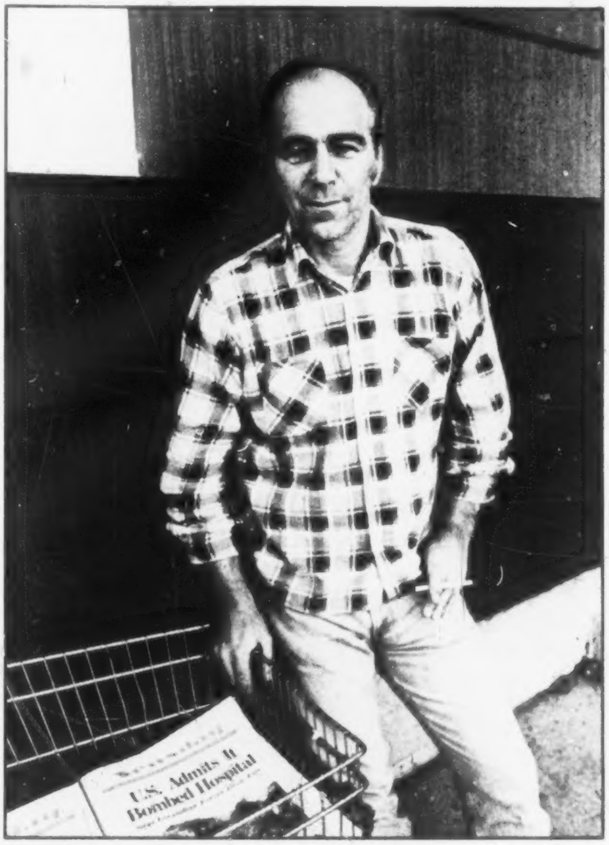
The word survivor was invented for guys like George Herdst. At 44, the Centereach, L.I., resident hasn't worked in more than two years, the victim of a psychological disorder called agoraphobia. Nevertheless, Herdst and his wife have managed to raise two teenage children and pay their monthly mortgage on less than $15,000 a year. They cut corners, shop sales and keep hoping the former New York City sanitation worker can find a part-time job to supplement his meager medical pension.

But Herdst's misfortunes began long before his nervous condition and the nation's latest bout with economic adversity. "Things started to go down for me in 1975," he explains. "That's when the New York City fiscal crisis began, and I worked for the sanitation department. People were laid off and hired back again. But ever since 1975 there was the threat 'You're going to be laid off, you're going to be laid off.' You had to always live under that."

Herdst was finally sidelined by agoraphobia (he can no longer afford the treatments, which were abruptly halted last June). Although he ventures out on short neighborhood journeys, he is the victim of severe anxiety attacks during extended trips outside his home. The disorder even prevents him from visiting a local social security office to apply for disability benefits.

His money problems were so bad last year that Herdst's wife, who hadn't worked in 16 years, was forced to find a part-time minimum-wage job in a packing company.

But the Herdsts have survived. They buy groceries with double-discount coupons, often wear homemade clothes and shop basic general merchandise stores such as the New York-based discounter Times Square Stores (TSS) and Sears. Department stores might as well be museums as far as the Herdsts are concerned. "TSS is basically for clothes, and my wife buys materials there," Herdst says. "Sears is strictly for automotive, garden equipment and some clothes."


U.S. Admits It Bombed Hospital

By buying only necessities, *shopping sales and avoiding credit card debts, Herdst just manages to make ends meet.*

They also shop sales, especially at Sears. "Basically we shop Sears for sales because they're so overpriced that it's not even funny," Herdst says. "Of course, with a lot of their stuff they give you guarantees, like their tools. The quality is good and they stand by their product. But it's overpriced."

Both Herdst and his wife are self-service shoppers who demand only a quick exit at the checkout counter. Store employees, they believe, make little effort to help the customers. "They feel, 'Here's the stuff—if you like it, buy it. If you don't, forget it,'" says Herdst. "But it's not so much that you want help in the stores. It's when you're checking out and you don't want to spend 15 minutes in the line. You want to buy what you're going to buy and get out of the store."

Despite their money woes, the Herdsts avoid heavy credit card debts. They have Visa and Sears cards, both of which are kept below a $500 balance. "I don't go crazy with charges," says Herdst. "You're taking your own money out of your pocket with the interest. I haven't used the Sears card in almost two years."

Credit or cash, Herdst has no plans to make a major household purchase. He can't afford it. In fact, a three-year-old television set is the result of the last family spending spree. "The only thing I would buy in the next year, if I'm working, is something out of necessity," he says.

But don't ask him where the money would come from to replace a malfunctioning refrigertor. He doesn't know. Even with his wife's part-time job, there won't be enough money to cover the family bills next year, and they have no savings account.

ter versions of popular arcade games, but will give them the expanded capabilities of a home computer as well.

Whether or not to continue to stock video game machines is a thorny question for GM retailers. If sales match the 3.1% of shoppers who said they might buy one, more than 2.6 million units will be sold in 1984. And the bulk of these purchases will be made at GM outlets. Three out of 4 potential purchasers said they would probably go to either Sears-Penney-Ward (32.7%), a discounter (27.2%) or a full-line department store (15%).

One solution may be for the GMers to carry video game consoles like ColecoVision that are designed to be easily expanded into full-function home computers. But industry insiders note that the game machine must be designed to become a computer. A variety of keyboard add-ons built for the Atari 2600 were highly touted at this year's Consumer Electronics Shows, but those that reached the market failed to develop virtually any following. ☐

Game cartridges ride roller coaster

More than 80 million game cartridges were sold this year, but price-cutting and incredibly stiff competition among retailers kept dollar volume equal to 1982's $1.5 billion.

And the business isn't going to be any better next year. Consumers, mainly boys 11 to 17 years old, aren't buying new games the way they did in 1982, nor are they visiting the video arcades in the same numbers. At least 2,000 of the 10,000 arcades open in 1982 have been shuttered, and Wall Streeters are saying that an additional 2,000 will probably close in the next few years.

The one bright light in the home entertainment business is the spectacular growth posted by game cartridges and programs designed for home computers. Unit volume increased by 159.4% to 16.6 million, while sales in dollars nearly tripled to $425 million in 1983.

During the same period, actual sales of dedicated game machines dropped to $640 million and 5.3 million units, compared to sales in 1982 of $1.3 billion and 7.8 million units, according to the Boston-based Yankee Group. ☐

Phone sales pass 11 million units

Sales of telephones skyrocketed to new heights this year, and industry insiders say 1984 will be even better. More than four times as many consumers said they might buy a telephone in the coming year as said they were interested a year ago—the largest increase, at 336%, of any product tracked.

Even more heartening news to GM chain retailers is the fact that actual sales outstripped intentions by 452%. Should the pattern continue into '84, nearly half of all households will buy a phone next year.

A telephone specialty store was named by 74% of respondents as their most likely shopping outlet, compared to only 20.3% who named any GM store. Of those who bought in '83, 65.2% patronized a specialty store—down considerably from the 83.7% of a year ago. Discounters and department stores increased shares by 11.7 and 6 percentage points, respectively.

One tack taken by GMers has been the opening of franchised departments in their stores. Sears and a number of department stores have put Bell Phone Centers in their outlets this year, and some discount chains, like Bradlees, are experimenting with a trimmed-down version called the Phone Booth. Consumer interest in shopping a GM outlet for a telephone increased by one-quarter this year, vs. the 16.1% of a year ago.

Despite the highly publicized breakup of the Bell System and the intensely competitive stance taken by virtually every tier of retailing, there is still a large group of shoppers who, while expressing interest in buying a telephone, have no idea of where they will shop. Nearly a quarter (22.8%) of potential purchasers expressed no store preference, up slightly from the 20.4% of shoppers who had no store preference in last year's survey, but down considerably from 1981's 40.9%.

Shoppers also are getting a more concrete idea of telephone pricing. A year ago, survey respondents said they expected to pay an aver-

Owning Your Own Phone
AS ADVERTISED
Sale price will automatically ring up at the register
59.99
reg. 69.99
touch tone dialing

***Consumer interest in buying** a phone at a GM store increased this year.*

Shoppers still seek high-priced phones

	% of shoppers		
Price expected to pay	1981	1982	1983
Under $10	0.0	0.0	0.0
$10-$20.99	0.0	2.8	6.0
$21-$25.99	0.8	4.1	9.4
$26-$30.99	0.9	8.0	8.2
$31-$50.99	8.9	24.8	25.7
$51-$99.99	18.5	19.8	14.7
$100-$149.99	9.4	13.1	15.0
$150-$199.99	6.0	2.8	3.0
Over $200	1.2	3.7	2.5
Don't know	54.3	20.9	15.5
Average	$87	$91	$67

Source: *CSA* Leo Shapiro & Associates

age of $91 for an instrument. This year's spending expectations dropped 26.4% to $67.

The high-end/low-end split in spending expectations continues to widen this year. Nearly 1 in 4 consumers (23.6%) said they would spend less than $30 for a telephone in 1984, compared to 14.9% a year ago and only 1.7% in 1981. Price expectations at the high end of the home market also increased this year, with 18% of potential shoppers saying they planned to spend between $100 and $200 for a telephone, up from 15.9% a year ago. ☐

Mixed signals for phone answerers

On the surface, the sales future for telephone answering devices looks rosy, with more than twice as many consumers saying they may buy a unit in 1984 compared to those who said they were potential purchasers a year ago.

In fact, the 2.7% of respondents in the *CSA*/Shapiro study who said they might buy a machine in '84 matches the 2.7% who said they bought one in 1983.

Nevertheless, the retail market may be in for a jolt. The number of people who bought an answering machine from another person, a garage sale or a flea market is nearly four times higher than it was in 1982.

More than 1 shopper in 10 (10.3%) bought a second hand answering machine this year. This "market share" is equal to that of catalog showrooms and higher than any other retail tier except full-line department stores (13.2%), telephone specialty stores (17.6%) and electronics stores (22.1%).

While demand is still relatively strong, the dramatic increase in private sales may mean past purchasers are finding the devices are not as useful as they were initially thought to be.

Looking ahead to '84, 45.9% of shoppers who named a store picked a general merchandise outlet, only 1.7% below those who cited a specialist as their expected place to shop.

Sears is the preferred store with 11.6% of potential purchasers saying they expect to go to the mass merchandiser, virtually identical to the number of shoppers who named the nation's largest retailer last year.

Discount stores were named by 16.3% of shoppers, up from 7.1% in the '82 study. Full-line department stores were named by fewer than 1 shopper in 10 (9.3%), down 29.5% compared to consumers who actually bought a unit at a department store this year.

One encouraging sign is the apparent broadening of the potential customer base. A year ago, more than two-thirds (67.5%) of buyers and shoppers had no children in their households. This year's study notes that this number has dropped to just over half (53.8%). ☐

'Walkman' demand soars 40% for '84

Consumer demand for personal portable stereo players is skyrocketing, particularly in trend-lagging parts of the country.

During 1984, 2.8% of respondents in the *CSA*/Shapiro survey plan on buying one of the mini players, compared to 2% of respondents a year ago.

But the number of consumers who actually bought a player this year was five times higher than those who thought they might buy one. While most products show a higher number of actual purchases compared to those who planned on buying, only telephones, with a five and a half times higher ratio, beat personal portable stereos. The sales realization came without the boost given telephones by the breakup of the Bell System.

AS ADVERTISED
39.95 54.99

Sony has been copied *many times over, but 53% still want the original.*

Consumers are extremely brand-conscious when it comes to players. Nearly 7 out of 10 shoppers (69.7%) said they would buy an advertised brand, and 7.6% of potential purchasers said they were considering a store brand. Only 22.7% of shoppers said they had no brand preference, the seventh lowest rating of any hard lines product in the survey.

Despite the myriad of manufacturers who have copied the original personal portable, Sony's Walkman, shoppers overwhelmingly said they wanted a Sony. More than half of potential purchasers (53%) named Sony. Panasonic placed second, with a mere 7% mention. No other brand even rated 5% potential purchaser interest. And the high-

Price and quality: keys to store selection for stereos

Reason to shop a store	% of respondents shopping		% change ('82 to '83)
	1982	1983	
Price/discount	34.1	39.3	+15.2
Quality	8.7	11.2	+28.7
Selection	7.3	10.1	+38.4
Past satisfaction	9.0	5.2	−42.2
Convenient location	6.0	5.4	−10.0
Other	12.1	12.6	+ 4.1
Not answering	22.8	16.2	−28.9

Source: *CSA*/Leo Shapiro & Associates

est-rated unit, according to Consumer Reports, Aiwa's HSPO2, was mentioned by no shoppers as the unit they were planning to buy.

Demand for the units is up in every region in the country except the mid-Atlantic, Pacific and Mountain areas. In these trend-setting sections of the country, the market has been saturated over the past few years.

Surprisingly, the average amount consumers expect to spend is only $4 less than last year's $125. Only 1 shopper in 4 plans to spend between $50 and $100, the price range for virtually all of the full-featured units on the market today. ☐

VCR's heat up after '83 downturn

Following the recession-driven slowdown in sales in late 1982 and the first quarter of '83, consumer demand for video cassette recorders is soaring again.

The 3.9% of *CSA*/Shapiro survey respondents who said they might buy a VCR next year shows a 56% stronger demand than last year's study. This follows on the heels of a 21.9% drop in demand in '82.

Actual purchases have followed the same pattern, with 4.6% of survey respondents saying they bought a VCR this year—nearly three times as many as said they purchased a unit a year ago.

An even more encouraging trend is the faster pace of actual purchases compared to potential ones—1983 was the first year more people bought a VCR than planned on buying one. Nearly twice as many shoppers bought a VCR this year than said they expected to buy in the 1982 survey.

If this trend continues—and all indicators point in that direction—actual sales will increasingly outstrip potential purchases. *CSA* predicts that between 7% and 10% of families will buy a VCR in 1984.

And nearly half of the estimated 6-10 million VCR sales predicted for

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Price expectations tumbling for VCR's

Price	% of shoppers			% change (1982 to 1984)
	1982	1983	1984	
Under $300	0.0	5.3	10.3	—
$300-$399	3.4	6.1	5.3	+ 55.9
$400-$499	1.5	4.6	6.9	+360.0
$500-$699	8.8	19.9	25.7	+192.0
$700-$899	13.4	21.4	17.9	+ 33.6
Over $900	17.0	18.0	14.2	– 16.5
Don't know	55.9	24.7	19.7	– 64.8
Average	$760	$728	$651	– 14.4

Source: *CSA*/Leo Shapiro & Associates

next year will move through general merchandise chains. Exactly 45% of potential purchases said they would most likely go to a general merchandise chain to buy a VCR, compared to only 36.7% who said they would go to a GM chain in the 1982 survey.

Price was the major reason for selecting the type of outlet, cited by more than a third of shoppers who gave a reason (36.1%).

The consumer emphasis on price is also reflected in the amount prospective purchasers said they expected to spend. The average price quoted this year was $651, more than 10% below last year's $728. ☐

VCR tapes get commodity status

Blank video cassette tapes are a commodity item, and consumers are looking for a low price and conveniently located store when they shop for them.

Nearly half (48.5%) of potential blank cassette buyers said price and discount were the reasons they picked the store they shopped. General merchandise chains were the preferred source of blank cassettes for just over half the surveyed shoppers, while 1 in 3 named a discount outlet, with K mart alone being picked by 11% of shoppers. Sears was distant second with 6.4% of the potential market.

Because of the commodity nature of VCR blanks, only 5.9% of potential purchasers said selection was important in their decision to go to a particular store.

Most shoppers (56.2%) planned to buy an advertised brand, while only 8.2% said they would buy a store's own brand. Slightly more than a third had no preference.

But when asked specifically what brand they would buy, only two names were mentioned by more than 1 consumer in 10: Sony (13%) and TDK (11%). Scotch and Memorex each registered 9%. ☐

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In the growing lens/shutter market, *35mm models should re-emerge as a growth category in GM camera departments.*

Auto cameras spark 35mm sales

The 35mm single lens reflex (SLR) market has flattened out, photo industry observers say, but the category has managed to grow on the strength of the lens/shutter 35mm models that include automatic focus and exposure capabilities. Some GMers, in fact, have reacted to this trend by trimming SLR lines while beefing up auto-focus selections.

The shift is reflected in the *CSA*/Shapiro consumer polls. The surveys, conducted annually since 1981, reveal that more 35mm prospects expect to pay lower lens/shutter prices. (The surveys do not differentiate between an SLR and lens/shutter camera.)

Lens/shutter manufacturers' shipments have increased significantly, according to the Wolfman Report on the American photo industry. In 1979, 400,000 lens/shutter units were shipped, compared with an estimated 1 million units in 1982—a 150% increase.

Consumers' price expectations followed suit, the *CSA*/Shapiro surveys show. In 1981, 8.2% of shoppers polled said they would expect to pay between $50 and $149 for a 35mm camera (a popular price range for the lens/shutter models). But in the current survey, 16.5% said they would pay between $50 and $149—more than a 100% change.

Current camera prospects clearly have a better grip on prices and models they plan to purchase. In 1981, 45.5% of those asked said they had no idea what to pay for a 35mm camera, compared with only 7.6% in the 1983 survey.

But 35mm prospects haven't abandoned their favorite retail outlets. More than 35% named a camera specialty store, followed by discounters (including K mart at 8.6%) and catalog showrooms at 11.4%. Within the "have bought" category, catalog showrooms tripled their share of the 35mm market from 1981 to 1983.

Price is the most important factor in the 35mm prospects' retail outlet decision, according to survey results. The response, however, may be more a value perception than a choice based on lowest price. Traditionally, photo specialty shops have deftly combined low prices with service to dominate the 35mm market. But with the emergence of the lens/shutter lines (less service-intensive cameras), GMers may have an opportunity to chip away at the dominant specialty stores.

The 35mm camera shopper expects to pay more

Indicator	1981	1982	1983	% change 1981-83
Price expectations				
$50-$149	8.2%	8.0%	16.5%	+101.2
$150-$299	31.1	36.3	44.4	+ 42.8
$300 +	14.0	34.7	25.6	+ 82.9
Other	1.0	2.8	5.9	—
Not answering	45.7	18.2	7.6	—
Income:				
Under $20,000	35.1	24.3	31.3	− 10.8
$20,000-$30,000	32.9	31.1	34.7	+ 5.5
$30,000-$40,000	13.7	15.9	18.6	+ 35.8
$40,000 +	18.3	21.2	15.4	− 15.8
Not answering	—	7.5	—	—

Source: *CSA*/Leo Shapiro & Associates

Be it SLR or lens/shutter, national brands rule the roost: 35mm prospects overwhelmingly (83%) preferred name brands when compared with private label brands—bad news for Sears and other retailers that sell private label 35mm lines.

If the 1982-83 results are any indication, it could be a good year for 35mm retailers: Twice as many shoppers in '83 purchased 35mm cameras as had originally anticipated doing so. ☐

Instants face another bleak year

It's no secret that the instant picture camera industry is having problems. Manufacturer shipments have declined 45.1% from 8.2 million units in 1978 to an estimated 4.5 million units in 1982, according to the Wolfman Report on the United States photo industry.

There may be even more problems ahead. The 1983 *CSA*/Shapiro consumer poll shows little interest in the product among shoppers (33rd, in fact, among the 39 hard lines products tracked).

For retailers, that means little hope for growth in the category save aggressive price promotions—more than 40% of those instant camera prospects said price was the single most important factor in their shopping formula. Just under 10% named selection, a distant second, as a reason for shopping at a particular outlet.

As expected, discounters were the most popular retail outlets. More than 38% named a discounter (including 14.3% for K mart), followed by specialty camera shops (26.7%) and full-line department stores (8.8%). About 38% of those prospects said they would expect to pay between $36 and $99 for an instant camera, while another 16.9% said they would expect to pay less than $30.

Of those who had bought an instant camera in the past year, 11.7% named a catalog showroom, while specialty shops dropped to 13.1%—a further indication that price is the key factor in instant camera sales (it's also a product that requires little if any service).

Instant camera shoppers hold nonprofessional jobs

Indicator	% of polling base	% of instant shoppers	% difference
Job:			
Sales/clerical	11.9	21.1	+77.3
Manager	13.9	14.8	+ 6.5
Craftsman	10.2	11.7	+14.7
Professional	11.9	8.8	−26.1
Income:			
$15,000-20,000	31.0	28.5	− 8.1
$20,000-30,000	27.5	34.2	+24.4
$30,000-40,000	13.2	15.0	+13.6
$40,000+	11.8	13.6	+15.3

Source: *CSA*/Leo Shapiro & Associates

The target instant camera shopper, the *CSA*/Shapiro survey shows, is an affluent consumer (earning more than $30,000 annually) with a large family (three or four children) and holding either a clerical, sales or managerial position.

But there's good news for retailers who hope to beef up their instant camera sales: This group feels it's time to buy. More than 63% (compared with a 46.5% average) believe it's a good time to make a major purchase, and almost 60% expect the national economy to improve. ☐

Dark days for darkroom lines

Home photo-developing equipment is a category that has either been dropped or scaled down by GMers. And with good reason: The classification is targeted at affluent hobbyists, most of whom purchase darkroom equipment at photo specialty outlets.

It's a category that has suffered declining sales since the mid-1970's. According to industry estimates, shipments of photo enlargers alone dropped more than 37%, from 120,000 units in 1978 to 75,000 units in 1982. And in the latest *CSA*/Shapiro consumer poll, home photo-developing equipment was the least purchased item in the past year of the 39 hard lines products tracked.

But there are some bright spots for GMers who stock the pricey photo equipment. It appears that many specialty store shoppers will also consider discounters and other general merchandise outlets. For example, when prospects were asked where they would buy home photo-developing equipment, 61.6% named a specialty store. But among shoppers who had purchased darkroom equipment, only 46.9% mentioned specialty outlets.

Discounters increased their share in the "have bought/might buy" comparison from 11.1% to 15.6%, while Montgomery Ward jumped from 7.7% to 12.5%. Drug stores also made a showing (in college towns, for instance, some drug store outlets stock darkroom equipment, increasing their share from zero to 9.4%).

Despite the category's low sales activity, darkroom equipment prospects are prime retail candidates. They're young—61.6% are between 20 and 34 years old (compared with the 34.4% polling base average). They're affluent—20.1% earn more than $40,000 a year. And they're educated—71% have at least attended college.

Darkroom equipment shoppers: young, affluent, educated

Indicator	% of polling base	% of darkroom equipment shoppers	% difference
Age:			
20-34 years old	34.4	61.6	+ 79.1
Income:			
$20,000-30,000	27.5	43.2	+ 57.1
$40,000+	11.8	20.1	+ 70.3
Job:			
Technical	3.8	10.7	+181.6
Sales	6.1	12.9	+111.5
Operative	9.9	21.7	+119.2
Schooling:			
Some college/college graduate	45.5	71.0	+ 56.0

Source: *CSA*/Leo Shapiro & Associates

But for those GMers remaining in the category, the safe formula appears to be to minimize sku's of enlargers and emphasize accessories such as chemicals, chemical trays and photographic paper. ☐

Home exercise equipment stays in shape

With the renewed health of the American economy in 1983, consumers concerned with personal health and fitness raced out to buy exercise equipment in record numbers.

The *CSA*/Shapiro study shows that more than three times as many households purchased exercise equipment as said they might, with 9.4% of all households making a purchase during '83.

Price, however, is much more important to consumers this year. In the 1982 study, only 27.8% of those polled mentioned price, but 40.3% gave this as the reason to shop a particular store this year. Selection and quality, each cited by 11.2%, are also more important to consumers.

Shoppers expect to pay more for exercise equipment. While last year only 12% said they would spend over $200, 24.3% are considering more expensive—and perhaps more esoteric—equipment now.

Only 8.2% of those polled had no store preference; just two years ago this figure was 46.2%. Sears seems to have benefited the most from this change and is leading the pack, outdistancing rivals Montgomery Ward and Penney, whose market share fell dramatically. Sears is mentioned by 20.4% of consumers as the place they might buy exercise equipment during the coming year, up 7 market share points from last year. Only specialty/sports stores, with 32.9%, get a rating higher than Sears.

But actual purchases made during the year show Sears once again the big winner, garnering 20.6% of households. Specialty stores were shopped by 18.1%, K mart by 9.7%, other discounters by 15.5%, department stores by 8.4% and catalog showrooms by 7.1%. Only K mart, catalogers and Sears showed increases over 1982.

While 4 out of 10 shoppers said they had no brand preference, 23.7% said they wanted a store brand. Part of the reason for Sears' growing market share may be its private label exercise equipment.

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Hedgers, the prime audience for exercise equipment, lean toward store brands.

Selection important when choosing a store for sporting goods

Reason for shopping	K mart	Other discounters	Sears	Ward	Penney	Department store	Catalog showroom	Specialty/sports store
Price/discount	78.8%	69.2%	25.6%	29.4%	31.9%	31.8%	71.6%	17.7%
Selection	11.8	8.8	—	13.8	—	32.0	18.4	24.4
Quality	—	2.4	20.8	5.5	—	13.7	—	15.8
Satisfaction/past experience	5.6	—	17.9	14.9	—	9.9	10.0	8.8
Location/convenience	3.8	12.6	9.8	12.0	68.1	6.3	—	13.1
Family works there	—	1.9	2.2	3.8	—	6.3	—	1.2
Service/repair/guarantee	—	—	5.9	11.3	—	—	—	1.6
Not answering/other	—	5.1	17.8	9.3	—	—	—	17.4

Source: *CSA*/Leo Shapiro & Associates

This merchandise combines quality and a fair price, and the chain offers consumers a broad selection.

Hedgers, responding to conflicting emotions about spending for today and saving for tomorrow, seem more likely to buy sporting goods during the coming year than any other group of consumers. Three out of 10 said they would not delay making a sporting goods purchase if they needed to curb spending. Only 1 out of 10 savers and survivors responded similarly.

In addition, hedgers closely fit the profile of those consumers who are likely to buy exercise equipment. More than one-third are white-collar workers, have incomes over $30,000, are college graduates and are between 25 and 39 years old.

Hedgers are also less likely to buy a store brand than the other two groups, and 15.5% chose Sears as their store for sporting goods. Specialty/sports stores appealed to 36.1%. Of the three groups, hedgers are the most concerned with price; 38.7% cited it as the reason to shop a certain store. ☐

Preppie players save racket sales

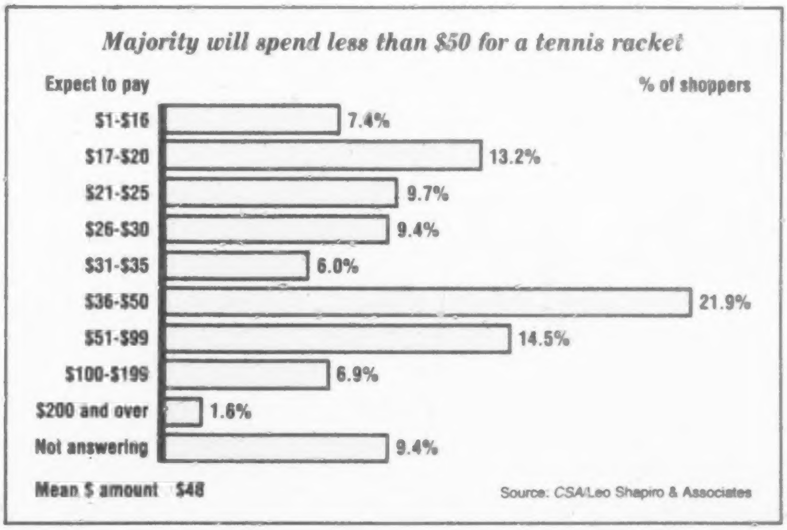
Despite industry predictions of a tennis rebound after a fairly steady five-year decline in popularity, consumers are still not flocking to stores to buy tennis rackets. Only 2.2% of consumers in this year's *CSA*/Shapiro study said they might buy a racket during the coming year—the third lowest rating of 39 hard lines products studied in this year's survey.

There is, however, some validity to the stereotype of the tennis buff as a preppie, upper-middle-class sportsman. The study shows that people shopping for a racket are more likely to be professionals with an income over $40,000 and some post-graduate education. They tend to come from smaller households with fewer children than shoppers for other sporting goods products. Almost one-quarter come from the mid-Atlantic region.

This group of shoppers is brand-loyal: 65.6% want an advertised brand (47% chose Wilson, 21% picked Head, 6% Spalding), and 21.3% say there is no chance they would buy a store brand. Over half (53.7%) of all rackets sold during the year were purchased at sports/specialty stores, and a similar number of consumers picked specialty stores as the place they might buy during the coming year.

As a group, savers not only bought more rackets but expected to buy more during the coming year. More than 4 out of 10 savers shopped for tennis rackets at specialty stores.

The majority of consumers (67.6%) expected to pay under $50 for a racket, but 8.5% were willing to pay over $100 to improve their game. ☐

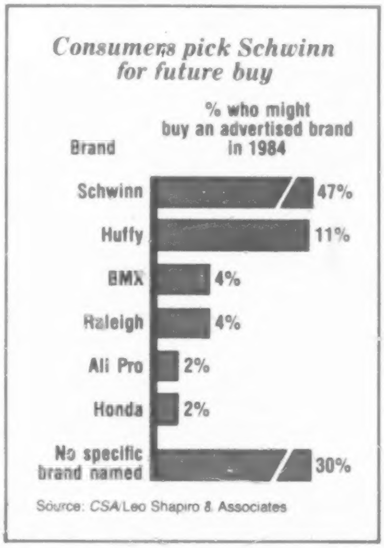

Majority will spend less than $50 for a tennis racket

Source: *CSA*/Leo Shapiro & Associates

Bikes ride rough path to volume

Quality is more important to bike shoppers this year, and specialty/sports stores are more attractive places to buy than flea markets and secondhand purchases.

In this year's *CSA*/Shapiro study, consumer intention to buy a bicycle climbed to 4.8% after last year's low of 4.2%, but those households actively shopping the market are down 7 points. Purchases remained flat at 10.3%.


Consumers pick Schwinn for future buy

Source: *CSA*/Leo Shapiro & Associates

Industry sources are quick to admit that bike sales have been very soft this year, but they're optimistic about an improving picture. Many manufacturers cut their own margins in order to encourage lower retail prices and stimulate unit sales. Nonetheless, consumers expect to pay a mean price of $153, compared to $140 last year.

But bicycles are very vulnerable to economic conditions. Of those consumers who said they might buy during the coming year, 68.1% would delay making the purchase if economic conditions got worse.

Bike shoppers are, however, aware of brands; just 32.3% said they had no brand preference. Similarly, only 13.8% said they had no store preference. Discount stores, catalog showrooms and specialty/sports stores all gained market share over last year. ☐

General merchandise chains are *the preferred outlet for file cabinets.*

Paperwork pushes shoppers into file cabinet market

Both consumer demand and sales of file cabinets for home use are growing. Planned purchases of files jumped 19%, compared to a year ago, reveals the *CSA*/Shapiro study. This gain follows on the heels of last year's 10.5% increase in demand.

Actual sales of file cabinets increased by 50% in one year. This year, 4.2% of respondents said they bought at least one file cabinet.

Because of the utilitarian nature of a file cabinet, more than half of all shoppers said they weren't looking for any particular brand. And even those potential purchasers who did have a preference were equally divided between wanting an advertised name and a store brand.

This desire for a store brand is particularly good news for three major GM chains that rated highly as potential outlets for file cabinets. Sears was the No. 1 choice, cited by 21.6%. K mart was mentioned by 11.5%, and Montgomery Ward was picked by 10.4%.

Compared to a year ago, Sears, Penney and Ward all chalked up strong gains (approximately 36%) in the number of shoppers who said they would probably go to the mass merchandisers.

All shoppers who bought a file cabinet this year showed a strong preference for general merchandise chains. Nearly 3 out of 5 purchasers (57.7%) said they went to a chain. Discounters (with 26.9% of respondents saying they bought there) and mass merchandisers (26%) were only slightly less shopped than office products stores, cited by 27.9%.

Most shoppers (45.8%) who gave a reason for picking a particular store to shop in 1984 gave price/discount as the reason they planned to shop there. Quality was the second most important reason for shopping a store (14.5%).

All occupations, except laborers, farmers and military personnel, are well represented among potential purchasers, with their portion of shoppers equaling or beating their segment of the general population.

But family income among next year's planned buyers showed a dramatic split. Shoppers with incomes above $20,000 outpace the national average of families with the same incomes by nearly 50%. Potential purchasers with incomes below $20,000 equaled less than half their segment of the national population.

Families with children also tend to lead potential purchaser statistics. Compared to the national makeup of households, families with children are more likely to be in the market for a file cabinet than families with none. Half of those who bought a unit this year or planned to buy in 1984 have at least one child, while this group makes up only 42.2% of all survey respondents. Families with no children, 57.3% of all households, accounted for only half of all cabinet sales. ☐

Age of file cabinet shoppers rises*

Age	% of polling base	% who purchased or might buy	% difference
Under 20	1.4	0.6	−57.1
20-24	8.9	9.0	+ 1.1
25-29	11.7	21.3	+82.1
30-34	13.8	12.9	− 6.5
35-39	10.5	15.7	+49.5
40-44	8.7	7.6	−12.6
45-49	6.9	6.8	− 1.4
50-54	7.6	9.6	+26.3
55-59	7.0	7.9	+12.9
Over 60	21.2	[illegible]	−63.7

*Average age 1981: 36; 1982: 37.2; [illegible] 39.3
Source: *CSA*/Leo J. Shapiro & Associates

Typewriters write strong ticket

"Once people decide they need a typewriter," says a buyer for Sears, "they may wait for a price promotion, but they *will* buy the unit."

This need for a typewriter, particularly among families with college-bound children, may be the primary reason for the stability in the market. Although 71.7% of prospective purchasers in this year's

CSA/Shapiro study said they would delay if they cut back on family spending, there is a very good chance they would not.

Nearly the same number of shoppers (71.1%) in the 1982 study said they would delay their purchase. But actual purchases this year reflect a 147.1% gain over the number of people who said they were planning to buy a year ago.

Families with high school-age children continue to be the strongest group of typewriter shoppers. While making up 20.4% of survey respondents, they account for 35.3% of those who bought or plan to buy a typewriter.

Buying a new typewriter is not essential. More people (14.8%) said they bought a secondhand unit from a private party or at a garage sale than any other product in the study.

The 34.5% gain in the number of people who bought secondhand this year didn't come at the expense of general merchandise chains, though. Overall sales through the chains increased slightly from 54.8% last year to 55.6% of respondents in '83.

Both Montgomery Ward and Penney showed the greatest gains in actual sales. Ward posted a spectacular 1,033.3% increase in the number of shoppers who said they bought at the chain this year compared to '82, while Penney chalked up a 200% increase. Other discounters lost 50% of their market share. ☐

Calculators soar as prices tumble

Demand for printing calculators has tripled since 1981. At the same time, price expectations have dropped from $152 in 1981 to $67 this year. Even so, buying intentions for them rate next to last among the 39 hard lines products covered in this year's *CSA*/Shapiro survey.

Only 1.8% of respondents said they were planning to buy a unit next year, compared to 0.6% in the 1981 study. This year, 6.3% of consumers said they bought one.

But while the potential market is relatively small, with only 1½ million units expected to be sold, general merchandisers should garner 3 out of 4 (74.1%) of those sales.

More than a third of consumers (35.2%) named a discount chain as the place they expected to shop for a calculator, while 18.5% cited a mass merchandiser, 16.1% a catalog showroom and 4.3% a full-line department store.

Nearly two-thirds (62.8%) of those who said they purchased a calculator this year bought at a GM chain.

Four out of 10 (43.6%) prospects who gave a reason to shop a store named price, and 10.3% cited either convenient location or selection. All three reasons support the chains' lock on the future market. ☐

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Specialty chains sew up pattern sales

A relaxed environment *is the most potent lure in patterns shopping.*

How long can general merchandise chains afford to see 8 market share points disappear from one category before dropping it altogether? As home sewers increasingly turn to specialty stores, other retailers must decide to either aggressively pursue the sewing business or follow the lead of many chains that have cut their losses and dropped out.

Almost 7 out of 10 respondents in this year's *CSA*/Shapiro study who said they might buy a sewing pattern in 1984 planned to make the purchase at a specialty store, up from 62.2% last year. In addition, 71.9% of the consumers who purchased a pattern during the past 12 months bought it at a specialty sewing shop, an increase from the 63.9% in '82.

But in fact the sewing industry in the 1980's has been relatively static, and this year has been no exception. The continued increases in sales and earnings by the specialty chains have been generated by the shakeout in the industry (Penney most recently jettisoned sewing), not by any real expansion in the market.

Those GMers that are still in the sewing business seldom emphasize the category, usually offering a limited selection of fabrics and notions and one line of patterns. This "convenience category" strategy has backfired. Although it may appeal to shoppers already in the store, it certainly doesn't lure customers to make a separate trip.

Selection is the key to winning back the sewing business. It was cited by 45.1% of respondents as the reason they preferred to shop specialty stores. While 26.6% said they had no particular brand preference for patterns (up from last year's 18.7%), there was strong brand awareness. Of those saying they might buy a pattern during the coming year, 71.3% stated a preference for a national brand.

As the major pattern companies work with big name designers and offer current ready-to-wear fashions, the home sewer chooses to sew as much for fashion as for economy. Just as the ready-to-wear customer likes to shop more than one store for apparel, the home sewer likes to choose from more than one pattern company, as each features certain specialties and designers. The specialty stores offer this convenience.

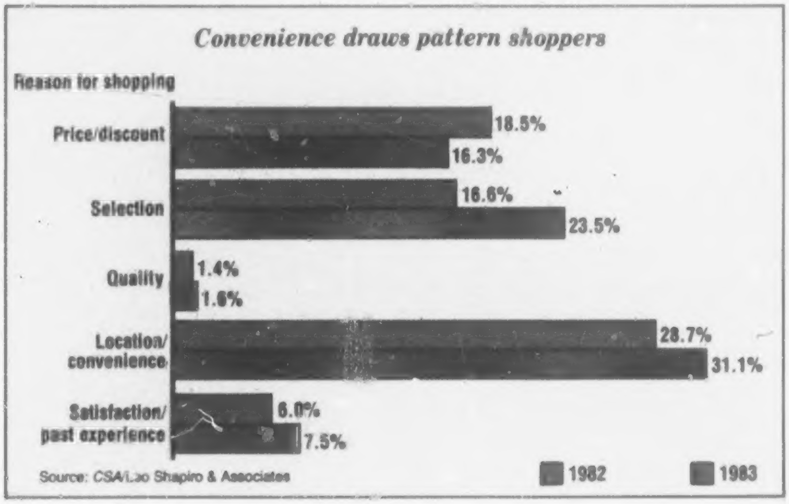
The study shows that people interested in buying patterns are among the most active shoppers of any hard lines category surveyed, with the third highest incidence of both past year purchases and prospective purchases. The percentage of households that might buy in the coming year increased one full point from '82, with 9.5% expecting to be in the market next year.

Patterns are also perceived as the least expensive of the 39 hard lines items studied, with 79.2% of respondents expecting to pay $5 or less for a pattern. Of that figure, 37.7% said they would pay $2.

Patterns are also one of the most likely products to be purchased even if shoppers are forced to curb spending in '84. Just 3 out of 10 said they would delay making a purchase if they had to cut back. The majority of potential pattern shoppers (53.1%), however, are not presently cutting back on clothing purchases due to inflation or decreased income and have a generally positive outlook on their personal financial stability and economic recovery.

Interest in patterns is not restricted to any one age, economic or social group. Among prospective customers, one-third of the chief family breadwinners are white-col-

Convenience draws pattern shoppers



Source: CSA/Leo Shapiro & Associates

lar workers, and 61.6% have family incomes over $20,000. The largest single group—38.7%—are high school graduates. Over one-third are 50 or older, and another 29.6% are between 30 and 39. ☐

Big 3 make crafty gains with kits

Retailers keying their needlecraft kit business to grandmothers had better shake off the cobwebs, forget the stereotypes and take a good look at who's buying craft kits, where she shops and why.

The *CSA*/Shapiro study shows that of all consumers who say they might buy a craft kit (for example, needlepoint, latch hook or quilting) in the coming year, 36.7% are between 30 and 39 years old. Only 26.1% are over 50 years old, less than the national average of 35.8%.

Needlecraft enthusiasts are not merely pursuing this activity in lieu of some other form of leisure-time interest or because they can't afford other hobbies. Almost 7 out of 10 (67.8%) boast household incomes over $20,000. The chief breadwinner in 19.8% of the households is a manager. Another 15.3% are professionals; only 10.6% are retired.

While the potential buyer for craft kits is not immune to price considerations, selection is even more important in choosing where to buy. Fewer consumers this year (just 12% vs. 19.5% last year) said they had no store preference, and 10.8% gave the nod to the Big 3 mass merchandise chains—Penney, Sears and Montgomery Ward—as the places they might buy during the coming year. In last year's study no one mentioned a Big 3 store for craft kit purchases.

At the same time, specialty stores are still the favorite places to buy craft kits, while discounters and full-line department stores are losing these sales.

The reasons for shopping a particular store vary, even among the Big 3. Three out of 10 Sears shoppers cited location/convenience. Selection and satisfaction with past experiences rated highest for Ward customers. Penney was named for location and selection. Two out of 10 shoppers chose the Big 3 chains for price.

***The craft kit shopper** is willing to spend more to get exactly what she wants.*

Discount stores, on the other hand, were rated highly by 4 out of 10 shoppers for price/discount (this jumped to 7 out of 10 for K mart shoppers).

There is no strong brand preference for craft kits. This may be because they are chosen for esthetic appeal and end use—and there are no designer name kits yet. Because of the increased popularity of home-dec crafts, consumers see their handiwork as part of their home furnishings and are willing to spend more to get exactly what they want.

Consumers expect to pay more for a craft kit this year. While in the 1982 study 15% expected to pay $6 or $7, this year 20.2% pegged the price tag between $10 and $12. An additional 11.5% thought the kit would cost $15 or $16.

Half of all consumers said they would go ahead with a purchase even if they had to curb their spending next year. These prospective consumers were among the most optimistic about the economy.

While the study shows a slight drop in the number of people surveyed who actually purchased a craft kit, from 15.6% in '82 to 14.7% in '83, consumer intention to buy is up slightly from last year's 5.3% to 6.4% this year. Four out of 10 shoppers said they had actively shopped the market (checking prices, selection, etc.), one of the highest percentages of any hard lines product in the study. ☐

Selection edges up on price for sewing and crafts

Reason for shopping	K mart	Other discounters	Sears	Ward	Penney	Specialty store	Department store
Price/discount	71.0%	41.0%	21.5%	21.1%	21.8%	10.8%	14.0%
Selection	8.3	15.0	18.6	28.1	27.8	45.1	14.0
Quality	—	3.5	8.9	7.1	—	1.8	16.0
Satisfaction/past experience	3.8	—	—	27.1	—	8.6	2.6
Location/convenience	8.8	33.6	30.0	16.6	27.8	22.4	32.2
Family works there/ they know me	4.4	—	10.5	—	—	0.4	7.7
Have account there	—	—	10.5	—	11.3	—	—
Other/not answering	3.7	6.9	—	—	11.3	10.9	13.5

Source: *CSA*/Leo Shapiro & Associates

Discounters pocket watch sales

Beat the high cost of "throwaway" batte
5-YEAR RECHARGEAB

***Three quarters of shoppers** polled preferred to buy an advertised watch brand.*

There are nearly as many contradictions in the watch market as there are hours in the day.

Nearly five times as many consumers purchased a watch during 1983 as said they might buy during the coming year, according to the *CSA*/Shapiro study. Surprisingly, shoppers are not making these purchases at specialty/jewelry stores.

Jewelry stores were cited by 22.7% as the place where they might buy a watch during the coming year, but only 16.2% actually bought a watch from a jeweler this year. Discounters, on the other hand, clocked a 29.2% share of the market in '83, with 27.9% targeting these chains for future purchases.

The availability of brand name watches at discounters and the recent introduction of inexpensive quartz lines from Lorus and Swatch means that the price-conscious shopper can buy a dependable watch between $10 and $50, the price range mentioned by 52.1%.

In addition, various retailers now stock inexpensive, throwaway digitals, often priced under $5, near checkout areas for impulse purchases—the price 1.7% of consumers expected to pay for a watch.

Even grocery, drug and variety stores are ticking off part of the business. Although only 4.5% said they might buy from these retailers in the coming year, those outlets actually garnered 8.6% of the market in '83.

Of all the product categories included in this year's study, watches turned in the highest past purchase rate (30.1% of all consumers polled), but one of the lowest active shopper ratios: Only 2 out of 10 consumers who said they might buy a watch have actively shopped for one in the past few months. But industry sources say the majority are purchased as gifts—Christmas and graduation being peak seasons—and often are not preplanned expenses.

Watches appeal to a broad spectrum of shoppers, and three-quarters said they preferred an advertised brand. Over half who said they might buy during the year are between 25 and 44 years old and are employed. Apparently, most workers feel a need for a watch, although they seemed willing to settle for a utilitarian timepiece over a fancy dress watch. Only 8% said they expected to spend more than $200, with a slim 1% jumping over the $1,000 benchmark.

This bodes well for popularly priced name brand watches, especially those like Timex and Lorus, which are prominently featured throughout all levels of retailing.

But watches are sensitive to the economy. While more than 6 out of 10 shoppers would delay making a purchase if the economy worsened, the majority were optimistic about the future.

Hedgers are the most likely to delay a purchase, and savers are more apt to go ahead. Only savers were more inclined to buy a watch at a jewelry store—25.1%. Hedgers were the least likely, with only 5% mentioning jewelers.

Obviously, the introduction of brand name watches into general merchandise chains has hurt jewelers, who may be forced to discount their watches if they hope to continue to attract inexpensive watch sales, which are still the heart of the business. ☐

Price-conscious shoppers choose Timex

Brand	% of consumers who want an advertised brand
Timex	43%
Seiko	18%
Bulova	8%
Pulsar	3%
Casio	3%
Omega	2%
Texas Instruments	2%
Benrus	1%
Citizen	1%
Hamilton	1%
Wittnauer	1%
Nelsonic	1%
Baume & Mercier	1%
No specific name mentioned	15%

Source: *CSA*/Leo Shapiro & Associates

October presages happy holiday season

		October sales*		Stores		9-mo. sales		
Major chains	% change	1983	1982	1983	1982	1983	1982	% change
Sears[1,6]	+32.0	2,103,776	1,593,725	890	913	16,543,964	14,321,656	+15.5
Penney	+ 8.0	836,000	774,000	2,035	2,063	7,142,000	6,870,000	+ 4.0
Ward[1]	+ 4.3	464,700	445,700	376	389	4,068,500	3,853,400	+ 5.6
Federated[5]	+ 9.3	678,200	620,400	547	496	5,812,800	5,099,900	+14.0
Dayton Hudson	+20.3	517,300	430,000	1,073	960	4,460,500	3,635,700	+22.7
May Dept. Stores	+14.0	324,900	285,100	1,540	1,368	2,777,200	2,407,700	+15.3
R. H. Macy	+15.5	303,900	263,100	93	92	2,519,000	2,136,700	+17.9
Allied Stores	+15.6	287,100	248,400	568	530	2,443,300	2,135,800	+14.4
Carter Hawley Hale	+20.9	289,000	239,100	1,071	1,013	2,340,800	1,992,800	+17.5
Associated Dry Goods	+24.9	301,600	241,400	327	251	2,411,000	2,035,000	+18.5
Mercantile	+11.5	134,879	120,945	86	83	1,065,738	936,442	+13.8
K mart	+10.6	1,309,100	1,184,100	2,146	2,101	12,947,900	11,635,800	+11.3
Woolworth	+ 7.0	400,594	374,441	N/A	N/A	3,736,188	3,532,477	+ 5.8
Wal-Mart	+39.7	422,000	302,000	627	536	3,117,000	2,282,000	+36.6
Household Merch.[2,3,5]	− 4.7	235,989	247,709	3,710	3,795	2,011,261	2,100,603	− 4.3
T.G. & Y.	− 8.1	156,705	170,459	830	923	1,364,510	1,449,394	− 5.9
Zayre[4]	+20.4	222,513	184,779	732	617	1,751,366	1,470,969	+19.1
Bradlees	+36.1	100,200	73,600	123	99	750,200	552,400	+35.8
Murphy	+ 7.9	65,430	60,643	4[illegible]6	427	592,900	575,185	+ 3.1
Rose's	+29.6	59,118	45,604	245	239	547,227	440,158	+24.3
Heck's	+11.1	38,000	34,200	121	119	328,100	298,700	+ 9.8
Jamesway	+35.0	35,846	26,544	78	67	283,483	226,816	+25.0
Melville	+21.7	293,374	241,019	5,703	5,430	2,868,747	2,425,332	+18.3
Tandy	+ 9.5	207,352	189,324	N/A	N/A	1,767,630	1,515,242	+16.7
Edison Bros.	+11.9	77,336	69,104	2,162	2,129	793,216	718,069	+10.5
The Gap	+10.9	29,500	26,600	566	546	311,600	295,900	+ 5.3
Totals & Averages	**+17.0**	**9,737,787**	**8,321,537**	—	—	**83,391,620**	**73,494,749**	+13.5

*000 omitted. N.C. = no change. N/A = not available.

[1] Store number for full-line outlets only. [2] Includes 2,838 franchise stores (vs. 2,826 a year ago). [3] Includes T.G. & Y. sales. [4] Includes 273 Zayre stores (vs. 265 a year ago), 348 Hit or Miss stores (vs. 271) and 111 T. J. Maxx stores (vs. 81). [5] Excludes supermarket sales. [6] Includes results from Simpson-Sears.

Newsbriefs

Sears and Montgomery Ward posted third-quarter earnings. Sears U.S. Merchandising income increased 67.9% to $135.8 million. For nine months, income was up 71.5% to $247.5 million. . . . **Ward turned** a $38 million loss into a $2 million gain in the quarter. For nine months the company posted a $13 million loss against a $109 million loss a year ago. . . . **Two New York department stores** have invaded new turfs to early favorable returns. Macy's has opened in Miami and Bloomingdale's in Dallas. . . . **K mart has launched** a new apparel department prototype outside Troy, Mich., sporting freestanding finger walls, new signing (including neon), and significantly more rounders and waterfalls. . . . **Kentucky-based Dollar General** has agreed to buy 275 P. N. Hirsch stores from Interco. The stores would add at least $110 million in sales to D.G.'s '82 volume of $290 million generated from 883 stores. . . . **Connecticut-based Caldor** has rolled out 1,000-sq.-ft. sections devoted to petite sizes in its 91 stores. . . . **Next month Johnny Carson** labels will debut in Sears. Suits will go for $175, sports coats for $110-$115. Hartmarx will make the line. . . . **Wholesale Clubs** continue to attract attention. W. R. Grace is moving to purchase part of Chicago's Warehouse Club, Pay 'n Save will open a club in the Northwest. . . . **Wal-Mart,** operator of three wholesale clubs, is testing a deep discount drug store in Des Moines. . . . **Retailing pays senior women** execs more than any other industry—$107,000 a year on average, says Korn Ferry International. . . . **Toys "R" Us** plans expansion limited to no more than 10 stores in '84 for its Kids "R" Us division. . . . **Sears will spend** $1.7 billion over the next five years to build 62 new "stores of the future" and renovate 600 older ones to the concept. In '84, 14 new and 85 remodeled stores will come on line. . . . **Burdines, ComputerLand, VideoConcepts and A.T.&T. Phone Center Stores have begun** selling videotex terminals in Miami at $600 apiece. The terminals provide Viewtron, an interactive informational, banking and shopping service linked to the television and telephone.

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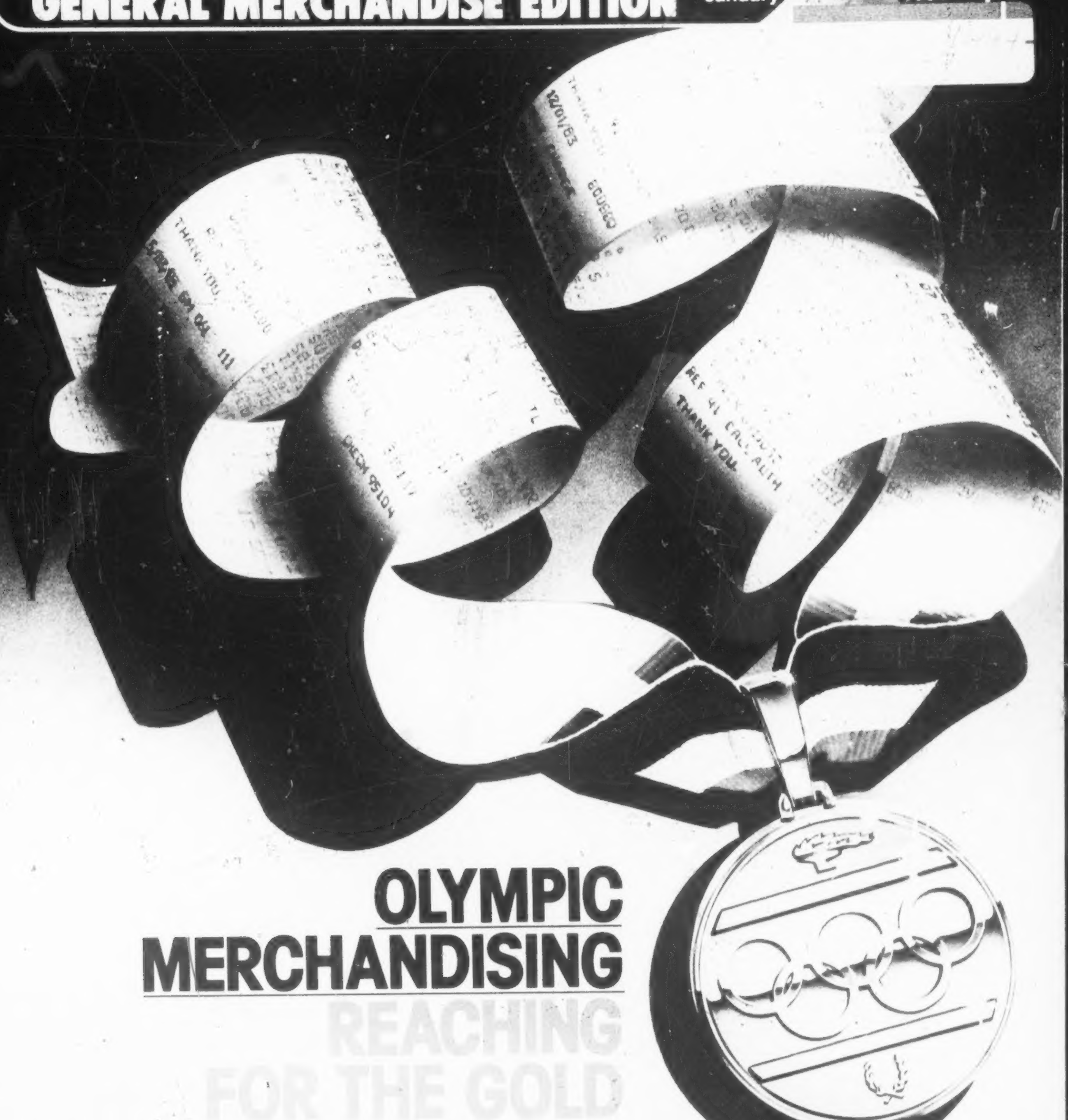
Anatomy of a buyer: exclusive survey
Electronics: explosive but dangerous

Outlook: Who's afraid of '84?

Chain Store Age

GENERAL MERCHANDISE EDITION January 1984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OLYMPIC MERCHANDISING

REACHING FOR THE GOLD

TWO DOLLARS PER ISSUE

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spending continuing to provide a real underpinning to the economy. We're just too early into the recovery to really disrupt consumer psychology."

Woolworth economist Martin Tolep agrees. "I could always draw you a scenario that would kill it [consumer spending]," he says. "I could always say that [Federal Reserve chairman] Paul Volker doesn't want Reagan elected and turns off the spigot and lets interest rates surge. The economy then goes into the pits and there goes retailing. But I don't think that's a likely scenario."

Calling the shots: Although consumers are spending more, they're also demanding more in the form of frequent sales and the latest retail buzzword, "value." Retailers have responded with frequent price-slashing promotions that, analysts say, will continue to pressure gross margins in 1984. As one discount chain executive puts it, "This year is going to be a promotional war."

But it will be a battle from strength, not weakness, says J. C. Penney economist Rosalind Welles.

'By and large there are no real negative signs on the horizon for retailers for the first time since 1978'

"If there's a continuation of promotional trends, it's not for the same reasons as we've seen in the past," she explains. "It's not that the economy has weakened and we'll panic as we did last year [1982] to try to get rid of merchandise because inventories were building up. But there's another phenomenon that we're seeing, and that's that consumers are tending to look for things on sale and getting used to buying off-price merchandise. There's no telling how long that's going to last. It's a habit that may be hard to break."

Looking ahead: But many forecasters say 1984 is a successful given, although the fast-paced recovery is expected to slow down to more reasonable post-recession levels—1985 and beyond, they say, may usher in another downturn.

James Newton, an economist for Management Horizons Inc., a Columbus, Ohio-based retail consulting firm, is one of them. Newton is predicting a slow expansion in 1985 and 1986, with another recession arriving in 1987—a timetable consistent with post-World War II business cycles.

The question is whether retailers will be prepared or fall into their previous bad management habits of prosperity. Retail consultant and former Dayton Hudson and Woolworth topsider Allan Pennington believes the lessons of recession will remain indelibly etched in the psyche of industry decision-makers. "I know at Dayton's that fixed costs turned out to be variable costs," he says. "The escalators, they discovered, didn't have to be turned on a half-hour before the store opened."

But those escalators, at least for the short term, should be quite busy. ☐

Spreading the wealth in '84

It could have been called the year of the big-ticket durable. In 1983 the much-anticipated consumer-stoked recovery was marked by heavy spending on refrigerators, washing machines—anything that could profit from the loosening of pent-up demand and a robust housing recovery.

But with the anticipated rise in discretionary income, retail prognosticators say this year's shopper will spread the wealth among a wider range of products, from jewelry to hand tools.

"It's been a very big-ticket—an auto, housing-related—spending environment, and that will be shifting to other areas," says Susan Sterne, chief economist at the Stowe, Vt.-based Economic Analysis Associates. She adds that consumer spending "will be more broad-based" than in 1983, when there was "an unprecedented percentage of durables to total expenditures."

Apparel and other smaller-ticket items, such as small electric appliances, are expected to log higher-percentage sales increases in 1984 compared with last year's year-to-year rates (see chart). For example, women's and girls' apparel sales are expected to jump 10.4% compared to an estimated 5.2% in 1983. This compares with a smaller growth rate increase in major appliances from last year's estimated 7.1% to 9.1% in 1984.

Downers Grove, Ill.-based retail economist Jay Levine contends the smaller-ticket merchandise prospects are improved by a jump in discretionary income (an estimated 10.2% in 1984, he says) and by a continuation of "fairly high but level interest rates."

"This assumed pattern," Levine says in his newsletter, *Levine Reports*, "will be more beneficial to smaller-ticket consumer purchases than major purchases such as home furnishings or automobiles, which require substantial credit usage."

But retail observers say it's really not a matter of which classifications are going to do well—1984 should be a robust year for all general merchandise classifications. ☐

—**Hank Gilman**

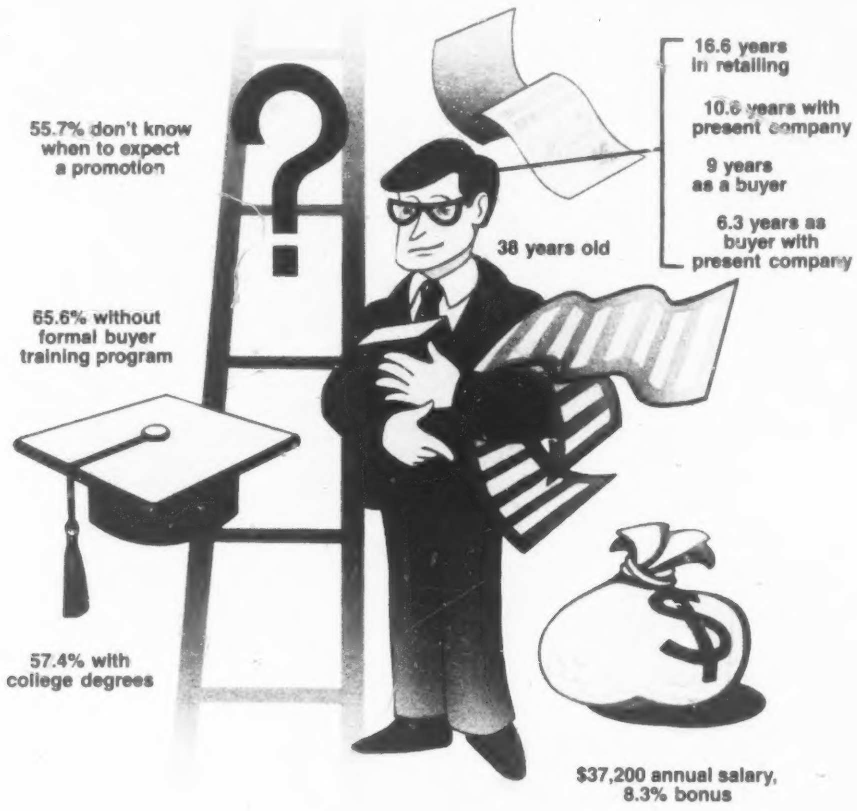
Bigger growth expected in soft lines in '84

	Year-to-year change*		
	1981 to 1982	1982 to 1983 (est.)	1983 to 1984 (est.)
Women's & girls' apparel	+3.4%	+ 5.2%	+10.4%
Men's & boys' apparel	+2.2	+ 3.9	+ 9.0
Cosmetics	+4.8	+ 6.1	+ 5.7
Furniture & bedding	−3.6	+ 6.9	+ 4.7
Floor coverings	+3.4	+12.7	+ 8.8
Major appliances	+0.3	+ 7.1	+ 9.1
Small electric appliances	+1.3	+ 7.8	+10.9
TV & radio	+1.0	+ 7.1	+10.3
Lawn & garden	−2.5	+ 7.9	+10.6
Hardware	−1.4	+ 6.7	+10.7
Hand tools	−1.7	+ 8.7	+11.2
Paint	−6.7	+ 7.5	+10.4
Toys[1]	+1.2	+ 6.3	+ 9.3
Eyewear & orthopedics	−5.1	+ 9.8	+ 7.8

*Percentage changes based on inflated dollars
[1] Excluding electronics

Source: *Levine Reports*

The "average buyer"


55.7% don't know when to expect a promotion
65.6% without formal buyer training program
57.4% with college degrees
38 years old
16.6 years in retailing
10.6 years with present company
9 years as a buyer
6.3 years as buyer with present company
$37,200 annual salary, 8.3% bonus

Buyers laud superiors, criticize field personnel

When it comes to the numbers game, nobody has been playing it longer, harder or with greater determination than retailers. Numbers can make or break companies and careers. A make-it-or-goodbye attitude permeates all levels of retailing, leading to a degree of mutual distrust between two important groups—store personnel and merchandising staffs. And while an all-out war may not be brewing, skirmishes seem inevitable unless corporate leaders establish a peace.

A *Chain Store Age* survey of headquarters buyers reveals these merchandisers have definite attitudes about their jobs and their supervisors as well as field personnel. Buyers from the five levels of retailing—department, discount, variety and specialty stores, plus the Sears, Penney, Montgomery Ward group, participated in the survey. Buyers were differentiated by retail tier as well as by hard and soft lines buying duties.

The economic doldrums that prevailed prior to 1983's economic rebound may have strained relations between store managers and merchandising staffs as each tried to point a finger at the other for poor sales results. Friction between the two groups definitely exists. Only 20.5% of buyers surveyed rate the capability of store personnel excellent/very good.

CSA takes an in-depth look at headquarters buyers and how they feel about their jobs

On the other hand, last year's *CSA* store manager survey revealed that while corporate leadership received high marks from the men in the field, buyers rated a lukewarm "good" score (see April 1983). Interestingly, discount store buyers, a group composed largely of store level graduates, are the harshest critics of field operations. Six out of 10 say they plan good programs that are never carried out in the field. Two out of 5 department store buyers agree, as do 58.7% of "other" retail buyers. ("Other" includes variety and specialty stores and Sears, Penney, Ward, which are not statistically significant if measured separately.) Hard lines buyers are more critical than soft lines buyers. But if the statement is true, it signals a gross waste of time, planning and money that corporate planners must address.

Buyers are more generous in rating their own bosses—44.3% say their respect for/confidence in superiors is excellent/very good. A similar positive response is given concerning the capability of corporate staffs.

Overall, buyers participate in open dialog with their bosses. Over half say they are encouraged to speak their minds and offer suggestions, and they regard themselves as professionals. More and more, buying is becoming a highly educated profession.

Over half of department store and soft lines buyers say they are treated as professionals by their companies; only one-third of hard lines and discount buyers report this. One apparent sore spot for all buyers is the lack of concern for employees as individuals, with corporate treatment rated fair/poor by 38.5%.

The survey validates the widely held belief that buying has become highly centralized, but what is surprising is the amount of autonomy and freedom buyers perceive they have in making decisions. Department store buyers tout their freedoms the loudest. While one-third of them have all of their decisions reviewed by a supervisor, 73.5% say they can add a line of merchandise without it being reviewed. Over half profess more autonomy than in the past. Soft lines buyers also report greater autonomy, with 68.6% able to add a line without approval.

For discounters, the survey reveals a lower percentage having the freedom to add lines (64.9%), and just 37.8% who have more autonomy.

Training programs: The availability, or lack, of training programs underscores a basic difference in corporate philosophy between department and discount chains. Department stores run efficient merchandising organizations. They have buyer training programs. Price-conscious discounters spotlight store efficiency and train their store managers.

Six out of 10 department store buyers report their companies have a formal training program, but 75.7% of discounters have none at all.

In contrast, the *CSA* store man-

Buyers express their likes and dislikes

	Department store buyers	Discount buyers	All buyers*
What they like most			
Challenge	82.4%	70.3%	73.8%
Responsibility	82.4	59.5	66.4
Merchandising	50.0	62.2	60.7
Dealing with vendors	44.1	43.2	45.9
Independence	44.1	40.5	42.6
Company reputation	35.3	27.0	27.0
Salary	8.8	29.7	21.3
Trust of company	14.7	5.4	7.4
Bonus package	2.9	8.1	4.9
What they like least			
Bonus package	44.1	40.5	39.3
Company's concern for employees	35.3	32.4	33.6
Salary	52.9	18.9	32.8
Benefits package	47.1	29.7	30.3
Work schedule	32.4	27.0	29.5
Job security	23.5	45.9	27.0
Treatment by supervisors	20.6	24.3	20.5
Dealing with vendors	17.6	5.4	10.7
Trust of company	2.9	10.8	8.2

*Includes department, discount, variety, specialty and Big 3 buyers
Source: *Chain Store Age* research

Buyers rate responsibilities

	Hard lines buyers	Soft lines buyers	Department store buyers	Discount store buyers	All buyers*
Maximizing gross margins	53.7%	66.7%	67.6%	59.5%	59.0%
Setting proper assortments/ selection	58.2	60.8	61.8	64.9	59.0
Sales volume increase	35.8	58.8	70.6	24.3	44.3
Maximizing turns	46.3	41.2	47.1	35.1	41.0
Negotiating the best deals	40.3	41.2	20.6	54.1	40.2
Planning	32.8	45.1	50.0	32.4	39.3
Inventory control	38.8	33.3	44.1	45.9	37.7
Ensuring in-stock position	46.3	19.6	29.4	35.1	35.2

*Includes department, discount, variety, specialty and Big 3 buyers
Source: *Chain Store Age* research

Study methodology

Buyers from the five primary tiers of general merchandise retailing were randomly surveyed for this *CSA* study. Each tier was segmented to target hard lines and soft lines buyers. Nine buyer groups were chosen in hard lines categories and six in soft lines.

A total of 500 questionnaires were mailed, of which 122 or 24.4% were returned completed.

The survey went to 50 variety store, 50 hard lines and 50 soft lines specialty store buyers and 100 to the Sears, Penney, Montgomery Ward tier. Surveys also went to 125 discount and 125 department store buyers.

Completed surveys identified buyers by store type and buying category and were strictly confidential. Response rates were department stores 27.2%, discounters 29.6%, hard lines 26.8%, soft lines 20.4%.

The hard lines categories included consumer electronics, housewares, stationery, photo, sporting goods, hardware, domestics, toys and H&BA. Soft lines buyers targeted were those responsible for junior sportswear, misses dresses, outerwear, women's career dressing, men's wear and children's.

ager survey shows that only 24.5% of department store managers have a formal training program, as opposed to 59.5% of discounters.

It is possible that discount management believes in-store training is the best possible teacher (48.6% of discount buyers were assistant/store managers before becoming buyers). Since store personnel see first-hand what sells and why, it's no wonder these buyers are so preoccupied with setting the right assortments and ensuring good in-stock positions—vital elements in a self-service environment.

The lack of formal training for discounters may, in part, explain some of the differences between them and department store buyers. An underlying feeling of insecurity seems to haunt discounters. They applaud the anonymity of centralized decision-making and the lack of autonomy. One-third don't think they are perceived as professionals, and 2 out of 3 criticize store personnel. A whopping 45.9% worry about job security. Not quite 6 out of 10 like their jobs because of the responsibility involved.

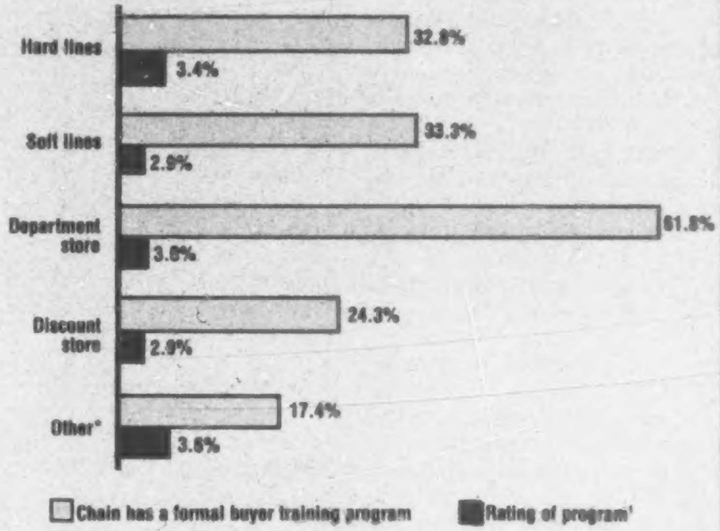
Department store buyers, on the other hand, overwhelmingly say they like the challenge and responsibility of buying (82.4%). According to the survey, this group is young, maybe even brash, and eager to climb the corporate ladder. These Young Turks are optimistic about their chances for promotion.

Despite the differences, buyers do recognize the need to get product and trend information. Their No. 1 source is the salesman, cited by 9 out of 10 buyers. Although there seems to be some tendency to reduce the amount of purchasing from manufacturers' reps, over half of all buyers surveyed cite them as well as trade shows and trade news articles as additional sources.

Six out of 10 point to the competition as a place to garner tips, with soft lines buyers—on the watch for fast-developing fashion trends—leading the rest in shopping the competition. Buyers visit both non-headquarters stores and the competition about every two weeks.

Rating the job: Along with chal-

Buyers cite need for more training programs



¹Ratings based on a scale of 1 to 5, with 1 being poor and 5 excellent

*Includes variety and specialty stores and Big 3

Source: *Chain Store Age* research

Merchants express their attitudes toward buying

Agree				Disagree		
Department store buyer	Discount buyer	All buyers*	Statement	Department store buyer	Discount buyer	All buyers*
44.1%	64.9%	54.1%	**We lay out good programs at HQ that never get implemented at store level**	30.3%	24.3%	27.9%
73.5	64.9	63.1	**I have the freedom to add a line of merchandise by myself**	21.2	27.0	22.2
52.9	37.8	45.9	**I have more buying autonomy than in the past**	24.3	16.2	21.3
32.4	43.2	36.9	**All my buying decisions are reviewed by a supervisor**	51.6	43.2	48.3
26.5	37.8	34.4	**I am constantly being asked to narrow my assortments**	48.5	32.4	38.5

*Includes department, discount, variety, specialty and Big 3 buyers
Source: *Chain Store Age* research

*Buyers rate their chains on . . .**

	Hard lines buyers	Soft lines buyers	Department store buyers	Discount store buyers	All buyers¹
Recognizing performers within the organization	3.2	3.1	3.2	2.9	3.1
Treatment of employee as a professional buyer	3.2	3.4	3.5	3.1	3.3
Capability of store level staff	2.8	2.8	2.7	2.8	2.8
Capability of corporate level staff	3.5	3.4	3.3	3.3	3.4
Company's overall concern for employees	3.0	2.8	2.9	2.9	2.9
Opportunities for promotion and salary increases	2.8	2.6	3.0	2.6	2.8

*Ratings based on a scale of 1 to 5, with 1 being poor and 5 excellent
¹Includes department, discount, variety, specialty and Big 3 buyers
Source: *Chain Store Age* research

lenge and responsibility, buyers like merchandising lines. Four out of 10 enjoy dealing with vendors and the independence of their jobs. Only 27% say the company's reputation is a positive factor. Nearly one-third of discounters mention salary—something cited by a mere 8.8% of department store buyers (see following story).

But management should take heed from the rumbling of their merchandising staffs. More than a third of all surveyed cite a need for additional training in planning, training and motivating employees, operating computer systems and communicating. In addition, 38.7% of department store buyers want help sharpening their negotiating skills.

Almost two-thirds of those surveyed report no company-paid self-development courses or refresher training programs. But even in those chains that do offer to pay for courses, 9 out of 10 buyers are not enrolled.

On the other hand, buyers have shown that they are atuned to management's needs. While one-third report they are "constantly" being asked to narrow assortments, 6 out of 10 rank setting proper assortments and selection as the No. 1 responsibility of a buyer. ☐

Base salary highest for discount buyers

	Hard lines buyers	Soft lines buyers	Department store buyers	Discount buyers	All buyers*
Under $20,000	4.5%	0.0%	0.0%	5.4%	2.5%
$20,000-$25,000	9.0	15.7	26.5	5.4	10.7
$26,000-$30,000	16.4	17.6	23.5	13.5	15.6
$31,000-$35,000	17.9	17.6	20.6	16.2	17.2
$36,000-$40,000	17.9	15.7	14.7	21.6	17.2
$41,000-$45,000	6.0	5.9	5.9	13.5	8.2
$46,000-$50,000	4.5	9.8	8.8	5.4	7.4
$51,000-$55,000	6.0	0.0	0.0	5.4	4.1
$56,000 & over	9.0	11.8	0.0	10.8	9.8
No answer	9.0	5.9	0.0	2.7	7.4
Mean	$36,500	$36,700	$31,700	$38,200	$37,200

*Includes department, discount, variety, specialty and Big 3 buyers
Source: *Chain Store Age* research

Age pays off for discounters

Department store buyers receive more training than their discount counterparts, but they get paid less

It shouldn't come as any real surprise that discount buyers earn more than their department store counterparts—they've been on the job longer, according to the *Chain Store Age* survey of buyers.

Discounters have been in retailing an average of 18 years (department store buyers for 12) and have been buyers for 10 years. The rewards are evident when it comes to salary: 21.6% earn $36,000-$40,000 annually, and 78.4% have bonus programs as well.

The largest single group of department store buyers (26.5%) earns between $20,000 and $25,000, with just 17.6% having a separate bonus package.

Hard lines buyers have a two-year edge on soft lines buyers in retail experience—16 years vs. 14. Some overlap in salary ranges exists: Three out of 10 hard lines buyers earn $31,000-$40,000; an equal number of soft lines buyers earn between $26,000 and $35,000. Over half of the hard lines buyers have bonus programs.

Youth is on the side of department store buyers—44.1% are between 20 and 29 years old. Only 8.1% of discounters fall into this group, and in fact 2 out of 10 discount buyers are over 50, as are 16.7% of hard lines merchants.

Buying is an education-intensive field, with at least half of all buyers having a college education or graduate work. Six out of 10 soft lines and department store buyers fall into this category, while fewer than half of hard lines and discount buyers have their diplomas.

Buyers are generally positive about their chances for promotion, with department store buyers rating their chances as good. The largest group of discounters (27%) rate their chances for promotion as fair, perhaps because they have risen up the ladder at a slower pace.

On average, discounters have been with their present company for 11 years, six as buyers. Department store buyers have had a more rapid rise—employed with their present companies for seven years, five as buyers.

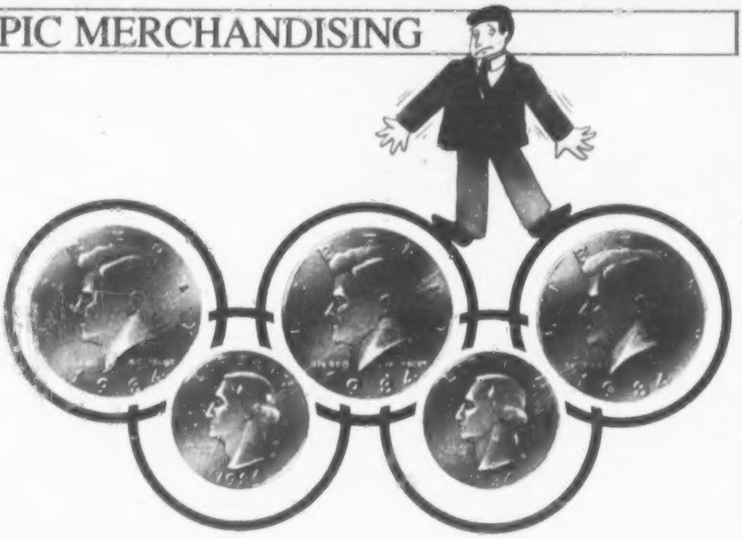
Despite the overall optimism, buyers do not know when to expect their next promotion. The next step up the ladder is to merchandise manager.

The route into buying for many buyers is via store operations (48.6% of discount buyers were assistant/store managers). Only 20.6% of department store buyers were in store management, while half started as assistant buyers. An additional 17.6% came into retailing directly from college. Hard lines buyers are more apt to have a store background (32.8% were assistant/store managers) and 47.1% of soft line buyers started in merchandising as assistant buyers.

For those with a bonus program, 88.1% are tied to profits. Shrinkage control is mentioned by 1 in 10 as another part of the bonus. But shrinkage/shoplifting control is mentioned by a mere 8.8% of department store buyers and by absolutely no discounters as important job responsibilities. Last year's *Chain Store Age* store manager survey showed managers were similarly insensitive to the problem.

According to a report done for the National Mass Retailing Institute, shrinkage during 1982 increased 25% over the previous year, amounting to 2.2% of sales. Obviously, this is a problem that requires the attention of all personnel if this constant erosion of profits is to be halted. ☐

—Christina Gruber



Risky business: In search of the Olympic dollar

Sears Olympic program coordinator Thomas Coughlin spends a lot of time these days sifting through a plethora of merchandise that is riding the coattails of the eagerly awaited summer games. There are the obligatory coffee mugs, ashtrays, key chains and even a video game based on the decathalon event.

"We are," he says of the deluge, "going to see someone come in here with the official Ouija board of the 1984 Summer Olympics!"

Coughlin and his colleagues may need one as they weigh the great unknowns of special events merchandising. "Everybody is treading very lightly," he says. "But I don't want to tread so lightly that we miss the boat."

While there's little doubt the two-week event, which begins July 28 (and to a lesser degree the winter games beginning next month), will grip the masses, the question is how this patriotic and athletic fervor will translate into shopping dollars. As one Midwest-based discounter puts it, "Our concern is what Los Angeles '84 will mean to central Michigan."

Serious money: Even Los Angeles Olympic Organizing Committee (LAOOC) topsiders are asking the same question. According to sponsorship vp Dan Greenwood, the committee has "conservatively" projected $250 million in Olympic merchandise retail sales. (The LAOOC receives a 10% royalty based on wholesale cost.) "Quite frankly, the projections are low because of the uncertainty," says Greenwood, a banker by trade. "I would be disappointed if we don't double or triple that number. Right now those figures look very safe, and indeed look conservative. Our royalty reports show a dramatic upsurge."

Finding a happy medium in events merchandising has been a herculean task for most retailers

Some industry insiders are projecting sales between $700 million and $800 million. But Greenwood's heistancy may be justified. According to results of an August 1983 *Chain Store Age/Better Homes & Gardens* consumer poll, few shoppers have been gripped by the Olympic buying bug.

More than 72% of those surveyed said they would have little or no interest in purchasing summer Olympic-related merchandise. Another 22.4% said they would be "somewhat interested," while only 3.1% felt they would be very interested. Sixty-seven per cent of the 1 in 4 consumers expressing some interest expect to pay more for Olympic merchandise.

The LAOOC, manufacturers and distributors, however, say shoppers will be less apathetic once the games, accompanied by the requisite publicity blitz, emerge from the shadow of winter weather, basketball and hockey.

The story of "O": But if it's any comfort to retailers staking precious open-to-buy dollars on the summer games, the LAOOC has a critical interest in the Olympics' general merchandise fortunes: This Olympics will be paid for by profits, not taxpayers. The LAOOC's projected $450 million-$500 million budget will be covered by broadcast rights (about $280 million), ticket sales, corporate sponsorships, licensing agreements and the sale of commemorative coins.

The selling of the Olympic symbol alone (the stars in motion and Sam the Olympic Eagle) will account for 31%—about $140 million—of the LAOOC budget. In comparison, the 1980 Lake Placid winter games garnered only $10 million. In 1976, the Montreal Olympic symbol logged a mere 1.5% of that committee's total budget, while the United States-boycotted 1980 Moscow games took in less than 1% of its budget from the sale of its Olympic logo.

Games retailers play: Many

Kids' needs top Olympic shopping list

Retailers are missing the boat on potential Olympic merchandise sales if they're targeting an adult market, a *CSA/Better Homes & Gardens* survey shows.

Children's tops were the most frequently mentioned item when survey respondents were asked what Olympic merchandise they would be most interested in purchasing. Nearly 60% said they would be very or somewhat interested in buying tops, while 18.2% said they would consider buying Olympic licensed toys. Children's underwear received mention from 9.4% of those interested in Olympic items.

Sporting goods and stationery, often purchased for children, also were prominent (44.3% and 18.9%, respectively).

Reports from retailers who stock children's Olympic apparel back the survey results. In Los Angeles, one Millers Outpost manager says children's T-shirts were already sold out by November, while adult merchandise was moving slowly.

Most chains, however, have earmarked Olympic displays for the men's or young men's departments. (The bulk of official Olympic apparel on the market as of November was in men's wear.) No one in the *CSA/Better Homes & Gardens* survey mentioned a preference for men's wear, although nearly 40% expressed interest in buying women's tops.

The Olympic merchandise shopper is patriotic, if not informed. Nine out of 10 shoppers said they would buy the licensed products to support the United States team, the survey shows. The reality is that their purchases provide no support for the United States team. Money spent supports the vendor and retailer only.

The second most important reason (40.6%) for buying Olympic products was as a novelty item or memento, while another 20% planned to purchase the merchandise as gifts.

But more importantly for retailers, the Olympic shopper is an affluent one. Those with annual incomes over $35,000 are the most likely group to buy Olympic souvenirs. Seven out of 10 expect to pay more for Olympic merchandise than nongame goods.

GMers have already taken the plunge. Sears, the only national Olympic ticket outlet, plans a coast-to-coast rollout of souvenir shops. Venture, the Missouri-based discounter, last November unveiled 8-ft. Olympic boutiques in each of its 48 stores.

Meanwhile, K mart, the nation's largest discounter, plans a limited merchandise-push in its 2,000-plus stores, says a spokesman. The chain, however, has plunged $40 million (10% of its ad budget) into an Olympic ad campaign. It will be the sole retail sponsor of ABC's Winter Olympics broadcast and share the spotlight with Sears during the summer games.

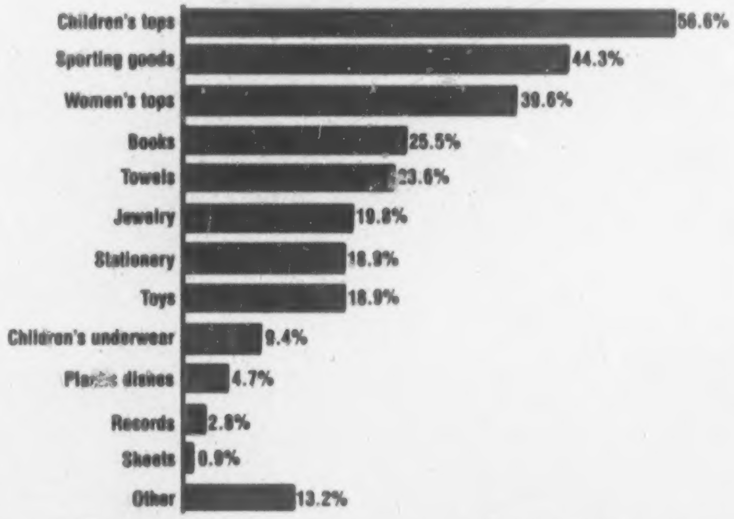
To no one's surprise, Los Angeles-area department stores already have Olympic merchandise plans under way, but officials from The May Co., Robinson's, Bullocks and The Broadway are uncharacteristically mum on details—it's a souvenir jungle out there, they say. Other department store chains, such as Macy's, Gimbels and Bloomingdale's, "have looked into it," says an insider.

Tricks of the trade: Few retailers expect Olympic merchandise sales to make a dent in the bottom line. But next summer tourists and residents are expected to spend an estimated $345 million in the Los Angeles area ($30 million in souvenirs and merchandise), according to the Los Angeles-based Economic Research Associates. Olympic merchandise may turn out to be the pivotal consumer bait as retailers scramble for the special-event dollars.

That's what Sears officials are hoping, says Coughlin. "I don't personally expect it [Olympic merchandise] will dramatically change anything," he explains. "We're going to

What shoppers want to buy*

(% indicating interest in product)



*Totals add up to more than 100% due to multiple mentions

Source: *Chain Store Age/Better Homes & Gardens*

make an acceptable markup for our company, and we're going to use it as much as we can as a drawing card to get people into the stores. Once we get them in the stores, then we can sell them other products."

In late November Sears opened nonapparel souvenir shops in the stationery/gift departments in more than 40 of its southern California stores and plans a nationwide rollout sometime this month. "If it doesn't sell in southern California, it's not going to sell," says Coughlin. "But just because it walks out of our Los Angeles stores doesn't mean it's going to walk out of our Boston stores. Basically, however, it will give us a good idea what's going on."

Each shop will be fine-tuned according to its market, says Coughlin. "It will all depend on the store," he adds. "Some do better with T-shirt-type products. Those stores will be able to look at what we're offering and say, 'We want this and we don't want that.'"

When enough is enough: There is concern among some retailers that the Olympic publicity wave might duplicate the overkill syndrome of the 1976 Bicentennial celebration, when GMers were stranded with numerous mementoes of the nation's 200th birthday.

As early as last October danger signs were already apparent in Los Angeles, where every gift shop, drug store and GM chain had some reminder that there were only nine shopping months left before the Olympic games. "It's a very strong concern of mine," says Coughlin. "I hope we don't get to the point where people are saying, 'My God, another Olympic product. I'm so sick of the Olympics.' I think because it's big business, it could happen."

But LAOOC officials feel the smaller number of licensees (79 licensees/sponsors compared with 381 for the Lake Placid games) will reduce the danger of oversaturation, especially outside the southern California market, where merchandise isn't expected to significantly move until early April.

"The risk of overkill has been a concern on our part for the past two and a half years," says Greenwood. "We feel it has been kept in tow." □

Levi's and the games: business as usual

Levi's licensed apparel shops: not for everyone.

Despite holding exclusive rights to the official summer Olympic activewear collection, Levi Strauss & Co. officials say the firm will, in most cases, only sell the wearables to its regular customers. This policy has infuriated many GMers, who believe the blue jeans giant should waive its distribution prohibitions since the company is the sole supplier of the summer games' licensed apparel.

The irony of the situation is that the excluded retailers may resort to purchasing the so-called knockoff Olympic merchandise (see following story). "I'm sure the Olympic committee would be very disappointed if they went into my trading area and saw all the knockoff merchandise and very little licensed merchandise," says one buyer. "If it were my license I'd be very disappointed. They're going to lose a lot of revenue."

The 'official outfitter' to the Olympics may be selling most of its items only to regular customers

The Levi's Olympic line includes T-shirts, piqué knit tops, fleece tops and bottoms and sweatshirts.

Levi's, however, has made some exceptions in its southern California market. Bowing to pressure from the Los Angeles Olympic Organizing Committee (LAOOC), the San Francisco-based manufacturer has agreed to review on a case-by-case basis requests for merchandise from small specialty gift and apparel outlets (airport gift shops, for example).

But the "one-time addendum," Levi's officials say, does not include large retail chains and discount stores (an estimated $73.3 billion industry).

As a result, chains such as K mart, the nation's largest discounter, will not stock official Olympic apparel in any of its 2,000-plus outlets. "We will not be carrying the Levi's line," says a K mart spokesman. "It was a question of not being able to get the merchandise from Levi's."

For Levi's, company officials say, it's a question that has ramifications beyond the Olympic games.

"We have, as part of our sponsorship with the Olympics, not basically changed our distribution policies," explains John Ankeny, Levi's vice president/consumer marketing. "That's one of the provisions of the contract which we signed with the [Olympic] committee. We don't want to fundamentally alter the way we do business because of the Olympics. And that's a very strong feeling we have. We've been in business for 150 years and want to remain in business for another 150 years."

Some retailers have heard a different story.

"Levi's basically told us that they don't have the capabilities to put such a big company on line, and they have a lack of capacity to provide us

CONSUMER ELECTRONICS

Shoppers may spend more *freely for consumer electronics but they're also demanding more of the price/value equation.*

Retailers brace for dynamite year

General merchandise electronics department buyers are preparing for their biggest year yet. With total sales projected to be as much as $35 billion, up 16.7% from the estimated $30 billion last year, consumer electronics is truly a "dynamite" category.

But just as dynamite has the potential to be destructive as well as useful, consumer electronics departments can blow up in retailers' faces. "Positioning," says the marketing vp for a major home computer manufacturer, "will be the key to cashing in on the booming demand for electronics.

"Retailers will have to carefully consider exactly who they are targeting as their customer and where they stand in the marketplace," he adds.

Almost every product line has potential for disaster equal to the potential for success. Telephones, for example, were a major area for sales growth last year and should be even stronger in '84. But some GMers are already saying that they are witnessing a slowdown in movement at the bottom end of the business with one-piece models, priced under $15, languishing on store shelves.

In mid-'83, one Sunbelt discount chain CE buyer said he couldn't get enough of the opening price point phones. Today he admits they are a glut on the market.

Price competition is expected to become even more intense in '84, squeezing already slim margins. Shoppers may be easing up on their reluctance to spend, but at the same time they are seeking the best price for what they buy.

Affluent shoppers prefer specialty stores for electronics

Primary store shopped by families with $35,000+ income	Product		
	All CE items	Home computer	Computer software
Specialty store	52.6%	62.4%	60.4%
Discount store	18.6	13.8	13.8
Catalog showroom	6.6	7.2	6.0
Sears	5.4	3.0	3.0
Department store	4.8	3.0	3.6
"Name Brands for Less"	3.6	1.8	2.4
J.C. Penney	0.6	0.0	0.0
Montgomery Ward	0.0	1.2	0.6
Mail order	0.0	1.2	1.8
Other	0.0	0.0	9.6
Don't know	7.8	6.6	7.8

Source: *Chain Store Age Better Homes & Gardens*

Even products available in limited numbers are being promoted virtually the instant they hit the selling floor. Coleco's Adam computer, with a suggested retail price of approximately $700, was being sold for between $525 and $549 for Christmas last year at discount and toy specialty stores across the country—despite the fact that buyers say they will not be able to meet consumer demand for the systems in the foreseeable future.

To keep gross margins from sinking much below their current 19%-22% levels, retailers are beefing up presentations of software, blank video and audio tapes and add-on items. "Accessories are going to be increasingly important in supporting departmentwide gross margins," says the electronics buyer for a New York discount store.

Virtually all department and discount store chains are expanding their CE departments. Montgomery Ward, for example, is "reasserting itself in the marketplace," says electronics vp Bob Harder, "so we have to go with major presentations in all CE areas." Staple merchandise and new product categories are both being emphasized. □

Consumer Electronics section written by Jeff MacCallum.

NOW AVAILABLE
COMP
& CALC
KODAK POLAROID KONICA
CALCULATORS

Many CE shoppers want the help of retailers who can assure them of post-purchase service and assistance.

Consumers rate shopping abilities

Retailers may be losing as much as one-third of their potential sales in consumer electronics by too tightly targeting their merchandising efforts toward their primary customers. These are the conclusions of an exclusive consumer survey conducted by Leo Shapiro & Associates for *Chain Store Age.*

When it comes to color TV/stereo equipment, how good a shopper do you feel you are?

All respondents self-rating (scale of 1-9)	Color television	Stereo equipment
Outstanding (9)	20.0%	16.0%
Very good (6-8)	43.0%	35.0%
In-between (5)	17.0%	14.0%
Not so good (2-4)	10.0%	18.0%
Poor (1)	6.0%	13.0%
Not answering	4.0%	4.0%

Source: *Chain Store Age*/Leo Shapiro & Associates

"The reality of the marketplace is that there are two distinct groups of consumers," says Shapiro president George Rosenbaum. "There are those who are confident about their ability to pick the right item and those who feel they are ignorant about electronics, even relatively common items like color television and home stereo systems. And if the retailer tries to use the same approach for these two groups, he isn't going to optimize sales."

Respondents were asked how they viewed their own shopping abilities for color televisions and home stereo systems and what they were looking for in the products and the stores they would shop.

Overall, nearly one-third of consumers (32.3%) said they were not very good shoppers for home audio equipment, and 1 out of every 6 said they were poor shoppers for color television.

In the following two stories, *CSA* looks at the detailed findings of the survey and explores ways for retailers to increase their incremental business in these two staple subcategories of GMers' consumer electronics departments. □

Smart TV shoppers look to quality

Consumers differ dramatically when it comes to what features they consider when buying a color television, depending on whether they consider themselves "good" or "not good" shoppers.

While both groups say price is the most important consideration, and a name brand another key feature, the good shopper is more concerned with quality/craftsmanship and picture quality than the not good shopper. The latter group gives greater weight to screen size than do good shoppers.

These are among results of a *Chain Store Age*/Leo Shapiro & Associates national survey of 450 consumers. Says George Rosenbaum, president of the research firm, "Even with what is a very common item, 15% of the population say they lack confidence."

Retailers will have to respond differently to the needs of the good and not good shopper. "For less confident shoppers, finding a store they can trust is very important," says Rosenbaum. "The shopper who is not confident needs a retailer who will help him with the purchase decision and can assure him about post-purchase service and assistance.

"The good shopper, on the other hand, has pretty much made up his mind before going to the store. For him, retailers function as warehouses."

TV specialty stores and appliance outlets are the No. 1 place to shop for both groups, but good shoppers

Considerations when shopping for a color TV

	Good shopper*	Not good shopper*
Price	47%	50%
Name brand	27	26
Screen size	10	16
Picture quality	26	18
Quality/craftsmanship	39	26
Durability/long-lasting	9	8
Service/warranty	9	6
Appearance	5	5

*Add up to more than 100% due to multiple mentions
Source: *Chain Store Age*/Leo Shapiro & Associates

Specialty-appliance stores favorite TV outlets

Type of store	Good shopper	Not good shopper
Sears	11.8%	12.9%
Ward	1.5	0.3
Penney	0.8	0.9
Department store	9.4	8.6
K mart	1.1	5.0
Other discount store	4.8	1.5
TV specialty store	36.0	28.2
Appliance store	6.4	7.1
Catalog showroom	3.5	1.2
Other	5.3	4.1
Not answering	19.4	30.2

Source: *Chain Store Age*/Leo Shapiro & Associates

RCA, Zenith top brand preferences

Brand	Good shopper	Not good shopper
RCA	24.2%	20.0%
Zenith	19.2	20.0
Sony	11.9	9.4
Sears	5.2	6.0
G.E.	4.2	1.4
Panasonic	3.3	1.4
Magnavox	3.1	1.9
Sylvania	2.5	0.4
Hitachi	0.6	2.1
Other	17.9	24.6
Not answering	7.9	12.8

Source: *Chain Store Age*/Leo Shapiro & Associates

are more likely to frequent these retailers.

Sears and K mart are favorites with the not good shopper, while good shoppers prefer other discount stores.

When picking a brand, the good and not good shoppers hone in on RCA and Zenith, followed by a more distant Sony. The not good shopper appears to be more confused (12.8% have no answer, compared to 7.9% of good shoppers) and more susceptible to being sold less widely known brands (24.6% vs. 17.9%). They also are more incapable of saying where they would shop (30.2% vs. 19.4%).

Good shoppers tend to be male: 55% of the men consider themselves good shoppers, while 56.8% of the women rate themselves not good. Good shoppers are slightly younger: 52.6% are under 45 years old, compared to 49% of the not good shoppers. ☐

Stereo shoppers seek sales help

Consumers may feel secure about buying a color TV with little assistance, but when it comes to a home stereo set, nearly half say they need help in picking the right system.

In the *Chain Store Age*/Leo Shapiro & Associates study of stereo and TV customers, only 1 in 6 respondents say they are very confident in their ability to choose the right system, while 31% admit they are not good shoppers for home audio products—twice as many as say they are not good TV customers.

These insecure shoppers "appear to hold off on buying a system until they find a retailer they can trust," says Shapiro president George Rosenbaum. "And the less confidence shoppers have in their ability to shop for stereo equipment, the more they depend on the store."

Insecure shoppers, though, rate retailers lower than confident consumers until they are actually in the store. On a scale of 1 to 9, those who say they are not good shoppers for stereo equipment give retailers a 5.83 rating, compared to 7.29 by secure customers.

But once they begin to shop for a home stereo system, the ratings reverse themselves. Among insecure shoppers who say they might buy a home audio system in the coming year, 26% rate retail outlets of stereo equipment as outstanding, a 188.9% increase over all insecure customers.

On the other hand, once they are in the market for a stereo, only 16% of confident customers rate retailers as outstanding, compared to 24% of all consumers who say they feel secure in their ability to pick a stereo system.

The reliance on the retailer by those who say they are not good stereo shoppers should be a prime incentive for general merchandise retailers to staff their stores with knowledgeable salesmen. "In other words, there is a large group of people out there who aren't going to buy a stereo until they find a store where they can get the help they need," notes Rosenbaum.

"And those who say they are not good shoppers have nearly as much desire to buy hi-fi equipment as those who say they are good shoppers," he adds. Eight per cent of all who say they are not good shoppers say they would like to buy stereo equipment in the coming year, compared to 12% of confident customers.

Demographically, insecure shoppers are markedly different from those who say they are insecure in their ability to buy a stereo. On average, those who say they are not good shoppers for stereo equipment are more than six years older (47.2 years), and nearly 6 out of 10 (59%) are women. Most good shoppers are male (61%) and tend to be younger (average 41 years old). ☐

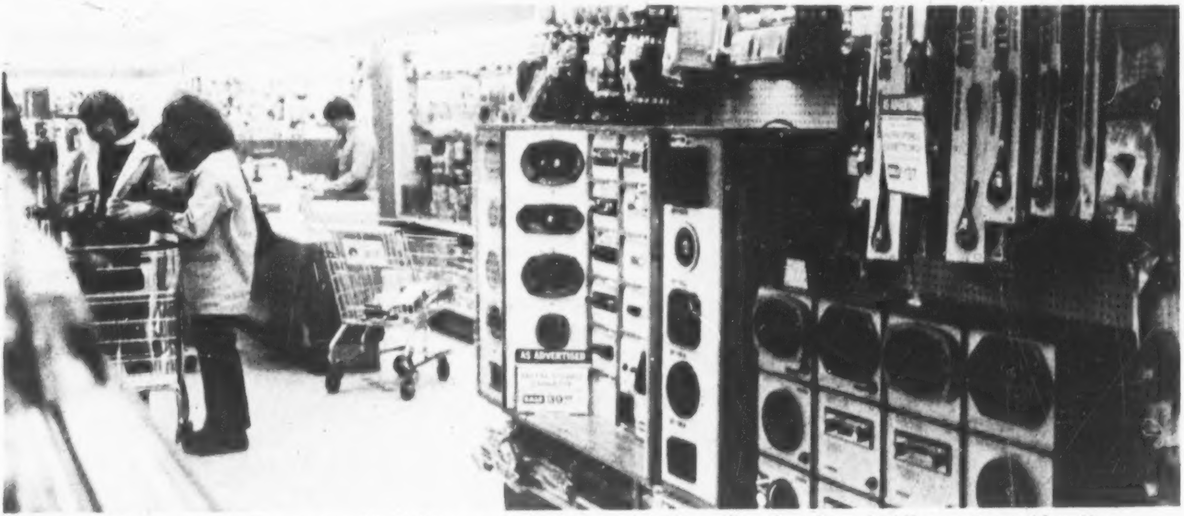
Top-quality phones key to business

Telephone sales are flying high in general merchandise chains, with shoppers showing a marked preference for models packed with functional features and higher price points.

Last year, American consumers purchased more than 11 million telephones. And, barring any major shift in purchasing patterns, industry analysts are predicting sales for home use in excess of 42 million this year.

The barrage of publicity surrounding the breakup of the Bell System, educational programs run by both manufacturers and retailers, the fact that telephone rental fees will begin appearing as a separate item in phone bills in the near future and the growing awareness of the multitude of specialized uses for telephones are all factors in the projected skyrocketing of sales in 1984.

GMers are already cashing in on the trend toward telephone ownership with prominently located telephone departments and franchised phone boutiques in their stores.



***Car stereo shoppers** appear more motivated by good selection and high quality than by price/discount considerations.*

Demand for high-end car audio coming in loud and clear

Growing demand for top quality is boosting the dollar volume for automotive stereos, despite a continuation of the stable levels of unit sales.

The number of consumers in last year's *CSA*/Leo Shapiro survey of buying plans who said they might buy a car stereo system this year is identical to the 3.2% of respondents who said they were in the market a year ago. But today's shopper is looking for good selection and quality and appears willing to pay for it.

Though 28.3% of potential purchasers said price/discount was their prime reason for picking a particular store, car stereo shoppers were among the least price-motivated groups compared to shoppers for other products. Selection was often mentioned (18.9%) as a reason for picking a store. Quality ranked third, cited by 14.2% of shoppers.

The average price that prospective purchasers expected to pay for an auto audio system in '84 was $249, up 6.9% compared to a year ago. The biggest jump came from shoppers seeking units costing over $500.

The strongest price range remains $100-$299, with more than half of potential purchasers citing it for both 1984 and last year. However, the number of consumers who expected to pay between $100 and $149 rose by 30.8% this year, while those who planned to pay $200-$299 dropped 25.3%.

Potential purchasers also showed a marked shift to the general merchandise chains as probable shopping outlets. Among shoppers who named a store, 27% said they would probably go to a chain in '84 a very strong 73.1% gain over last year's potential shoppers who said they planned to shop a general merchant.

Montgomery Ward logged the greatest increase. Virtually ignored as a potential outlet a year ago, nine times as many shoppers (4.5% of all who named a store) in this year's survey said they planned to go to the mass merchandiser. Sears also posted a sizable gain, with nearly three times as many shoppers expecting to shop there this year compared to last.

The GMers' gains appear to be coming at the expense of audio specialists. In 1984, 64.9% of respondents planned to shop at a specialty outlet, down 7.9% from the 70.5% who said they would shop a specialist in '83.

Both income levels and ages of shoppers continued to increase. Auto audio shoppers this year reported an average family income of $29,000, compared to $27,700 a year ago. Those who bought a car stereo in 1983 and planned to buy in '84 are nearly a year older than survey respondents in '82.

While the car stereo market remains distinctly youth-oriented, the average age of those in the market this year increased to 33.2 years, compared to 32.3 in '82. ☐

High-ticket items post biggest gains

Price range	Those who expect to pay in: 1983	1984	% change
Under $50	5.1%	3.6%	−29.4
$50-$99	6.9	7.3	+ 5.8
$100-$149	14.6	19.1	+30.8
$150-$199	14.9	14.8	− 0.7
$200-$299	28.1	21.0	−25.3
$300-$399	12.1	9.5	−21.5
$400-$499	2.2	2.7	+22.7
$500 and over	3.7	7.0	+89.2
Average (in dollars)	$233	$249	+ $16

Source: *CSA*/Leo Shapiro & Associates

***Air cleaners are breaking into** two groups—promotionally priced lines and high-ticket items.*

Baby boomers boost health, fitness sales

Baby boomers have always had a love affair with youth and with activities and products designed to keep them youthful.

They provided the fuel to fire the home exercise craze and have kept it burning. Home fitness, in fact, is now a fashion category. Products are purchased because of the way they look or fit into the home decor as much as for the physical benefits they offer. Exercise—with the correct apparel and accessories—is chic.

New companies have sprung up to keep pace with demand for these products, and items once just for people with specialized health problems are now coming into the mass market. Arkla Industries, a leader in manufacturing gas grills, has introduced a line of home gyms. Gravity Guidance Inc. markets inversion systems originally developed by a doctor for his patients.

The next logical step after concern for fitness is concern for overall health—a holistic approach to taking care of oneself. After all, the baby boom generation is aging. As the leading edge of this generation starts getting closer to 40, it seems to presage the growth of another "new-old" category—personal health care.

There's nothing new about scales, blood pressure monitors or thermometers. They've been on the market for years, but modern technology is now updating these familiar items to look better, work more accurately and appeal to a more up-scale customer. They combine the boomer's fascination with high tech and good health.

A holistic approach to health care is taking shape as this generation approaches middle age

Considering the buying potential of these 76 million baby boom shoppers, it's no wonder they carry such clout in the marketplace. It's estimated that their combined earnings will exceed $1.2 trillion by 1990.

Manufacturers have responded to the growing interest with new product introductions. Timex, Norelco and Panasonic are only a few of the companies now involved. "Today's consumer is much more aware of personal health in a preventive way," says Norelco vp/advertising Dick Gonzales. "Look at the number of joggers today compared to 10 years ago. Part of it is doctor's orders, part is media encouragement and part is just plain common sense."

Gonzales adds that many retailers are thinking of establishing a separate health care section in their stores. Currently, these products are scattered throughout the store, from small electrics to health and beauty aids to sporting goods.

The ability to cross-merchandise the products presents some exciting opportunities for impulse and add-on sales for retailers. The fitness enthusiast, shopping in sporting goods, might miss a blood pressure monitor displayed only in small electrics. "We're seriously looking at the whole category for the spring," says Woodward & Lothrop buyer Dale Cropper. "We'd like to create a home health care shop separate from small electrics, overlapping sporting goods."

Currently, Sears is doing the best job merchandising the category—

SPORTING GOODS/HEALTH CARE

Consumers show interest in category products

	Already own	Children in household	Extremely/very interested in	Children in household
Home health care				
Blood pressure monitor	12.7%	10.7%	11.6%	25.1%
Air purifier	18.2	18.6	12.5	34.5
Digital scale	8.6	8.4	20.4	52.0
Digital thermometer	4.3	5.1	15.8	49.3
Hand/foot massager	12.0	9.8	8.6	20.0
Heating pad	61.2	60.4	11.4	25.2
Humidifier	40.5	46.5	14.5	23.3
Shower massager	37.7	41.4	15.7	26.5
Shower steamer	3.2	4.0	8.4	27.7
Vaporizer	42.5	58.3	4.7	9.7
Home fitness				
Weight bench	19.2	19.5	4.3	13.9
Treadmill exerciser	0.2	0.0	6.2	14.0
Rowing machine	2.3	3.7	3.0	10.2
Punching bag	3.6	5.6	2.5	21.9
Exercise mat	9.3	13.5	13.6	34.6
Jump rope	42.5	54.4	4.8	14.4
Jogger trampoline	8.2	10.2	11.4	30.7
Home gym system	3.2	5.1	7.9	23.8
Gravity boots	1.1	2.3	4.5	11.2
Hand grips	10.5	12.6	2.2	5.6
Exercise bike	19.8	17.7	11.6	31.2
Dumbbells	12.0	17.7	3.6	11.2
Barbells	16.8	26.0	1.8	7.9
Ankle/wrist weights	8.4	12.6	3.8	14.9

Source: *Chain Store Age/Better Home & Gardens* research

but it has been in the business for at least 30 years. "The category has grown substantially in the past 8-10 years," says buyer Phil Berg. "People are becoming more health-conscious, and the whole category is expanding as more manufacturers get into the business.

"We experienced a 60% increase in sales in '82 over the prior year and foresee a year-to-year minimum growth of 20% for the next few years," he adds.

Monitor sales shoot up: A spokesman for Montgomery Ward says, "The fastest-growing item in health care today is the blood pressure monitor." Most retailers tend to agree. Although available for many years, it was often bulky, hard to read and sometimes undependable. The new monitors feature a digital readout of systolic and diastolic pressure, plus pulse rate with a printed readout for a continuous record. Flashing lights indicate if an error is being made in taking the reading. Prices for top-line models go from a high of $250 for the Norelco HC-3500 to a low of $70 for the Timex Healthcheck.

The 1984 Best Products catalog devotes one page to blood pressure monitors with six sku's ranging from the Lumiscope "Digitronic" for $189.87 to a more traditional device with cuff and stethoscope for $12.97. Penney features six models ranging in price from $22.48 to $199.99. Sears merchandises three sku's in the stores and eight in the catalog.

Digital thermometers are also a growing market. "We intend to carry it," says Dayton's buyer Deborah Seydel. "It's a unique item." But sales of home health care products are split at Dayton's because a leased department handles many of the products. David Steadman, manager of the department, says they carry items like blood pressure monitors, clean air and water machines and sun lamps. All products are displayed in cases and the salesmen are knowledgeable about them.

"Customers ask a lot of questions," Steadman says. "In fact, we first started to stock these products because we had so many people asking for them. We'll start to participate in some of Dayton's advertising in the spring. In the past we haven't, but we want to let the people know we do stock these products."

In-store demonstrations are seen as a good way to interest consumers in the products, but most retailers are still debating how best to run the demos. At Dayton's, Steadman has a clean water machine on display, and shoppers can taste the water before and after treatment. For Sear's Berg, packaging is most important, and all features and benefits of each product are clearly explained on the package. "When we have the space, we have product displays so the shopper can see the actual merchandise as well as read about it," Berg notes; he also sends out training literature to people in the stores to keep them aware of all products.

Dayton's Seydel agrees that good sales personnel are an important link in making health care sales and adds that advertising is another important step. Ward also advertises these products with both newspaper and direct mail promotions.

Manufacturers are getting behind advertising as well. Retailers cite the improvement in sales of oral hygiene products as an example of the effectiveness of this type of ad campaign. Sales of the products for the first half were soft, but a heavy campaign by Water Pik has translated into big sales results at retailers' cash registers.

Another product doing well is the air cleaner—the more expensive models as opposed to the low-end ones. "We traded up this year," says Bruce Sherwood, assistant vp/mm for Danners, a 35-store chain headquartered in Indianapolis, "and we're really glad we did. The business has been all in upper-end models. In '82, the market was flooded with promotional air cleaners, and it seems everyone who intended to buy those models already did. Now the better ones are having their season."

Part of the selling features of the more expensive models are their better filtration and improved technology. They can clean a larger room and actually get out more pollutants.

Specialists are watching: Sporting goods specialty stores are taking a wait-and-see attitude toward the entire home health care market, tending to carry true fitness-oriented products that do more than just measure pressure and pulse. Lee Anderson, owner of Endurance Sports, a retail and mail order specialty store, is still testing several devices. "We have a specialized customer who is a serious athlete. We want something that will last through grueling training," he says. Currently, he is testing The Coach and is doing well with a bicycle computer that measures heart rate and much more.

One thing retailers do agree on is the fact that home health care will be tomorrow's hot category. It has appeal, use and makes a terrific gift. "On one page of our Christmas '83 catalog we featured two blood pressure monitors and a digital thermometer," says Berg. "They were the best-selling items on the whole page." ☐

Health and fitness make winning team

While the baby boom generation as a whole has shown an interest in physical fitness, a *Chain Store Age/Better Homes & Gardens* consumer panel survey shows two distinct groups emerging for the related product categories of home health care and home fitness.

The younger group of 18-34-year-olds is interested in fitness and shows a greater interest in purchasing items like weight benches, gravity boots and barbells. Older shoppers between 35 and 49 show more interest in blood pressure monitors, air cleaners, digital scales and shower massagers—products with a health orientation.

The study also shows that some products are staples. Many retailers say the blood pressure monitor is the fastest-growing item in the home health category, and 11.6% of consumers say they are extremely or very interested in buying one. Nearly 13% already own one. The degree of interest increases to 13.6% for 35-49-year-olds.

This same older group of consumers is also more likely to own or be interested in buying a clean air machine. Two out of 5 consumers earning over $50,000 fall into this category, which may explain why retailers are now seeing an increase in the more expensive models—these upscale shoppers want the cleaning benefits of the newer models and are willing to pay the difference.

Profiling the health and fitness product consumer

	Age	Family income
Blood pressure monitor	35-49	$50,000 +
Air purifier	35-49	50,000 +
Digital scale	35-49	50,000 +
Digital thermometer	18-34	35,000
Hand/foot massager	18-34	50,000 +
Heating pad	18-34	50,000 +
Humidifier	18-34	50,000 +
Shower massager	35-49	50,000 +
Shower steamer	18-34	50,000 +
Vaporizer	18-34	50,000 +
Weight bench	18-34	50,000 +
Treadmill exerciser	35-49	50,000 +
Rowing machine	18-34	50,000 +
Punching bag	18-34	50,000 +
Exercise mat	18-34	50,000 +
Jump rope	18-34	50,000 +
Jogger trampoline	18-34	35,000
Home gym system	18-34	50,000 +
Gravity boots	18-34	35,000
Hand grips	18-34	50,000 +
Exercise bike	35-49	50,000 +
Dumbbells	18-34	50,000 +
Barbells	18-34	50,000 +
Ankle/wrist weights	18-34	50,000 +

Source: *Chain Store Age/Better Homes & Gardens* research

The survey indicates that humidifiers, heating pads, vaporizers and shower massagers are owned by a large percentage of consumers. Six out of 10 say they already own a heating pad, with over one-third owning the other three "staples." At least 4 out of 10 of these consumers are married, have children in the household and family incomes over $50,000.

Although the shower massager is owned by 37.7%, the shower steamer shows a very low rate of consumer interest. Over half of all surveyed say they have no interest in purchasing one at all. It may be that shoppers are satisfied with the current massager and see no reason to trade up since the steamer is more expensive. For example, Best Products carries the Water Pik massager for $26.92, while the steamer is $37.94. Nevertheless, the prospective market is more than double the 3.2% of households already owning a steamer.

The same reason may explain the low ownership of digital scales and thermometers. While 2 out of 10 shoppers say they are interested in these products, less than 1 in 10 owns them. Again, price may be the difference. The Sears digital thermometer with 25 disposable probes is $19.99, and 100 additional probes cost $5.99—quite a jump from the $3.99 thermometer available from the local druggist.

Home fitness: The study shows a high degree of interest in purchasing home exercise equipment among 18-34-year-olds. Interest is heaviest for the less expensive accessory items such as dumbbells and for two more expensive pieces of equipment—exercise bikes and weight benches.

Almost one-fifth of consumers already own an exercise bike, and another 11.6% are interested. This particular item is more attractive to the older group of consumers and to upper-income familes. Younger consumers are more apt to have a weight bench; 19.2% of 18-34-year-olds are already owners.

A jump rope is owned by 42.5% of consumers surveyed, but since 54.5% of these shoppers also have children in the household, it's hard to know if these ropes are for double-dutch and hot pepper or for adult exercise.

In a related consumer study, *Chain Store Age*/Leo Shapiro & Associates found that Sears is the choice of 20.4% of exercise equipment shoppers, with 24.8% preferring discounters. Three out of 10 shoppers go to sports/specialty shops. In general, consumers shop for price, although specialty stores rate highly for selection (see December 1983). ☐

Apparel specialists, Big Three top profit surge

	Third quarter (000 omitted)			9 months (000 omitted)		
	'82	'83	% change	'82	'83	% change
Penney[3]	80,000	94,000	+ 17.5	196,000	207,000	+ 5.6
Sears[1,2]	80,900	135,000	+ 66.9	144,300	247,500	+ 71.5
Ward	(13,000)	2,000	—	(109,000)	(13,000)	—
Subtotal	147,900	231,000	+ 56.2	231,300	441,500	+ 90.9
K mart	30,100	81,400	+170.4	96,600	243,700	+152.3
G.C. Murphy	2,855	4,788	+ 67.7	4,813	11,165	+132.0
Rose's	1,768	3,885	+119.7	4,231	11,744	+177.6
SCOA (Hills)	9,109	10,511	+ 15.4	12,458	13,899	+ 11.6
Wal-Mart	26,692	42,704	+ 60.0	68,639	111,682	+ 62.7
Woolworth[3]	14,000	20,000	+ 42.9	12,000	37,000	+208.3
Zayre	11,788	17,553	+ 48.9	16,683	33,115	+ 98.5
Subtotal	126,412	180,841	+ 43.2	215,424	462,305	+114.6
Allied	12,653	19,182	+ 51.6	20,115	48,358	+140.4
Associated Dry Goods	8,172	14,280	+ 74.7	13,885	35,096	+152.8
Carter Hawley Hale	4,720	5,665	+ 20.0	11,732	16,540	+ 41.0
Dayton Hudson[3]	38,916	44,505	+ 14.4	87,011	103,299	+ 18.7
Federated[4]	39,735	82,022	+106.4	90,361	165,618	+ 83.3
May Co.	26,701	35,402	+ 32.6	58,806	86,637	+ 47.3
Mercantile	16,645	20,397	+ 22.5	35,637	44,726	+ 25.5
Subtotal	147,542	221,453	+ 50.1	317,547	500,274	+ 57.5
Cole National	(139)	(641)	—	(1,604)	(320)	—
Oshman's	368	865	+135.1	1,389	2,835	+104.1
Toys "R" Us	4,734	6,061	+ 28.3	11,681	18,531	+ 58.6
Subtotal	4,963	6,285	+ 26.3	11,466	21,046	+ 83.6
The Gap	6,351	7,504	+ 18.2	7,725	10,857	+ 40.5
The Limited	10,684	20,970	+ 96.2	20,181	46,443	+130.1
Miller Wohl	2,970	3,451	+ 16.2	10,004	10,317	+ 3.1
Subtotal	20,005	31,925	+ 59.6	37,910	67,617	+ 78.4
Total	446,822	671,504	+ 50.3	813,647	1,492,742	+ 83.5

[1] Consolidated operations only [2] U.S. merchandising only [3] Continuing operations only [4] Includes unusual items
( ) indicates loss

Source: *CSA* research

K mart, Rose's log quarterly records

Led by discounters K mart and Henderson, N.C.-based Rose's, profits for the nation's general merchandise chains soared in the third quarter as consumers continued a spending trend that was expected to carry through the crucial Christmas shopping season.

Profits for the 23 chains tracked by *CSA* were up 50.3% for the quarter, from $446.8 million in 1982 to $671.5 million during the comparable period in 1983. For the first nine months of 1983, profits were up 83.5% to nearly $1.5 billion.

Troy, Mich.-based K mart exceeded its earnings pace for the first half (144.1%) by logging a whopping 170.4% profits hike. The nation's largest discounter continued to improve margins (up to 28% from 27.1%) and expense controls during the August-September-October period (SGA expenses were 24.6% of sales compared with 25.8% during the same period in 1982).

Rose's, a Southeastern discounter, also scored record sales and profits for the third quarter. Net income was up nearly 120%, while sales for the period jumped 29% to $187.9 million for the 245-unit discount and variety store chain.

Rochelle Park, N.J.-based specialty toy chain Toys "R" Us logged a 28.3% profit increase despite a modest 16.2% sales hike. The firm, however, managed to increase its gross margins by 1.2% as low-margin electronics products garnered a smaller share of total sales (from 19% to 13% during the third quarter in 1983).

J. C. Penney increased its gross margins in the quarter by 1.4%, which officials attribute to stronger apparel emphasis. Third-quarter profits increased by 17.5%, and sales were up a sluggish 6%.

Retail women top payroll lists

Women executives in retailing—vice presidents and above—are the highest-paid female managers in the United States. Top women at retail chains average $107,000 annual compensation—$15,000 more than the average female executive, a study of 300 female execs shows.

The study, conducted by Korn/Ferry International, an executive search firm, and the Graduate School of Management at UCLA, also found that women managers in retail were the most likely to be asked to relocate (45% expected to) and are also the most likely to be married. Half the retail executives who responded to the survey were married; the national average for female executives is 41%.

Sally Frame

About 85% hold a college degree, and only 16% entered management through clerical ranks, the study points out. Training programs are a definite boon to women in retailing—29% of top women execs began their careers in management.

In related moves, Carter Hawley Hale has helped to bolster the ranks of women in top spots. Dawn Mello, former executive vice president at New York-based Bergdorf Goodman, was promoted to the post of president and director of merchandising; Ira Neimark, the former president, became chairman. Besides Mello, CHH boasts other women topsiders at its Sacramento-based Weinstock's department store division and at Contempo Casuals, its women's specialty chain.

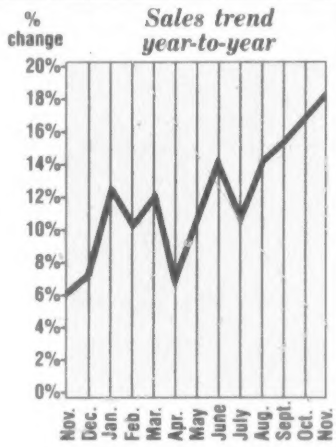
Another woman in the top spot as a specialist is Sally Frame, the new president of Ann Taylor. She replaces Millard S. Drexler at the $75 million, 47-store women's specialty chain.

Holiday surge boosts November sales

Powered by the strongest Thanksgiving shopping weekend in recent years, November sales for the 23 chains tracked by *Chain Store Age* increased almost 18%.

The results, however, compared against extremely weak November 1982 figures. Sales in that period were up only 5.8% amid high unemployment and, economists say, the tail end of the 16-month, 1981-82 recession.

Nevertheless, retailers had to be pleased. November, in the past five years, has been a weak sales month.



Composite of sales trends comparing monthly change vs. prior year for the 25 retail companies tracked by *CSA*.

From 1979 through 1983, compound sales growth for the period is up only 7.7% for 18 chains tracked continuously in the *Chain Store Age* survey.

Retailers credited the surge to an early shopping bug. But another factor was the early-December observance of the Jewish holiday, Chanukah, for which traditional Jewish parents buy their children gifts for each day of the eight-day celebration.

But growth in consumers' discretionary income apparently had a hand in the sales surge. This vital retail indicator jumped an estimated 11% during the fourth quarter, according to Jay Levine, a Downers Grove, Ill.-based retail economist.

At Penney, for example, there was brisk activity in fine jewelry, handbags, gloves and cosmetics —categories that are particularly sensitive to fluctuations in discretionary income. For the month, Penney's sales were up 9.4% (excluding discontinued lines).

F. W. Woolworth recorded double-digit same-store sales gains in each of its largest domestic divisions, variety stores, Richman Bros. and Kinney Shoes. While the corporation's worldwide sales rose a modest 7.4%, domestic sales climbed 11.1%.

Montgomery Ward, continuing on its comeback trail, reported a 10.8% sales hike in November with 13 fewer stores in operation. The company is expected to show an annual profit for the first time since 1979.

Christmas comes early to GMers

		November sales*		Stores		10-mo. sales		
Major chains	% change	1983	1982	1983	1982	1983	1982	% change
Sears[1,6]	+ 31.5	2,382,105	1,811,089	891	839	18,926,070	16,132,746	+ 17.3
Penney	+ 8.0	1,098,000	1,017,000	2,038	2,068	8,240,000	7,887,000	+ 4.5
Ward[1]	+ 10.8	587,057	529,976	376	389	4,655,584	4,383,382	+ 6.2
Federated[5]	+ 11.8	668,500	598,100	546	510	5,409,800	4,792,700	+ 12.9
Dayton Hudson	+ 21.8	624,932	513,224	1,083	982	5,086,052	4,148,945	+ 22.6
May Dept. Stores	+ 14.5	430,000	375,500	1,552	1,532	3,207,000	2,783,200	+ 15.2
R. H. Macy	+ 19.8	369,600	308,600	93	92	2,888,500	2,445,300	+ 18.1
Allied Stores	+ 13.0	368,700	326,400	571	533	2,812,600	2,462,200	+ 14.2
Carter Hawley Hale	+ 19.0	347,100	291,800	1,081	1,027	2,688,300	2,284,600	+ 17.7
Associated Dry Goods	+ 20.1	368,800	307,000	331	253	2,780,000	2,342,000	+ 18.7
Mercantile	+ 10.0	180,425	164,032	86	85	1,246,163	1,100,674	+ 13.2
K mart	+ 10.5	1,521,640	1,377,060	2,424	2,424	14,469,572	13,012,868	+ 11.2
Woolworth	+ 7.4	448,982	418,063	N/A	N/A	4,185,170	3,950,054	+ 6.0
Wal-Mart	+ 41.9	505,000	356,000	642	551	3,622,000	2,622,000	+ 38.1
Household Merch.[2,3,5]	+ 0.6	259,189	257,680	3,705	3,805	2,270,450	2,358,283	− 3.7
T.G. & Y.	− 1.8	185,835	189,222	829	929	1,550,345	1,638,616	− 5.4
Zayre[4]	+ 23.7	270,119	218,339	808	630	2,021,485	1,689,308	+ 19.7
Bradlees	+ 32.3	122,600	92,700	127	99	872,800	645,100	+ 35.3
Murphy	+ 11.8	77,158	69,032	418	423	670,058	644,217	+ 4.0
Rose's	+ 28.2	104,309	81,358	247	239	651,536	521,516	+ 24.9
Heck's	+ 1.0	45,700	45,400	122	119	373,800	344,100	+ 8.6
Jamesway	+ 22.2	39,021	31,932	78	68	322,504	258,748	+ 24.6
Melville	+ 24.7	364,244	292,094	5,763	5,487	3,232,991	2,717,426	+ 19.0
Tandy	+ 17.6	251,409	213,782	N/A	N/A	2,019,039	1,729,024	+ 16.8
Edison Bros.	+ 11.5	84,706	75,945	2,166	2,129	877,904	794,013	+ 10.6
The Gap	+ 11.1	41,000	36,900	570	549	352,600	332,800	+ 5.9
Totals & Averages	**+ 17.9**	**11,560,297**	**9,809,006**	—	—	**93,881,978**	**82,382,204**	**+ 14.0**

*000 omitted. N.C. = no change. N/A = not available.
[1] Store number for full-line outlets only. [2] Includes 2,834 franchise stores (vs. 2,830 a year ago). [3] Includes T.G. & Y. sales. [4] Includes 275 Zayre stores (vs. 267 a year ago), 356 Hit or Miss stores (vs. 277) and 118 T. J. Maxx stores (vs 86). [5] Excludes supermarket sales. [6] Includes results from Simpson-Sears.

Gibbons college fund set up

Bentley College has established a professorship fund in memory of Edward F. Gibbons, deceased chairman and chief executive of the F. W. Woolworth Co.

Gibbons, a graduate of Bentley and active in the college's affairs for more than 40 years, died Oct. 26, 1982. The Edward F. Gibbons Professorship Fund will be used to support an endowed faculty chair in the finance department and aid in other academic development plans. Gibbons held a bachelor of science degree in accounting, and among other responsibilities had served as a member of the school's accounting and management faculty.

Contributions may be sent to Allen Peckham, director of development, Waltham, Mass.

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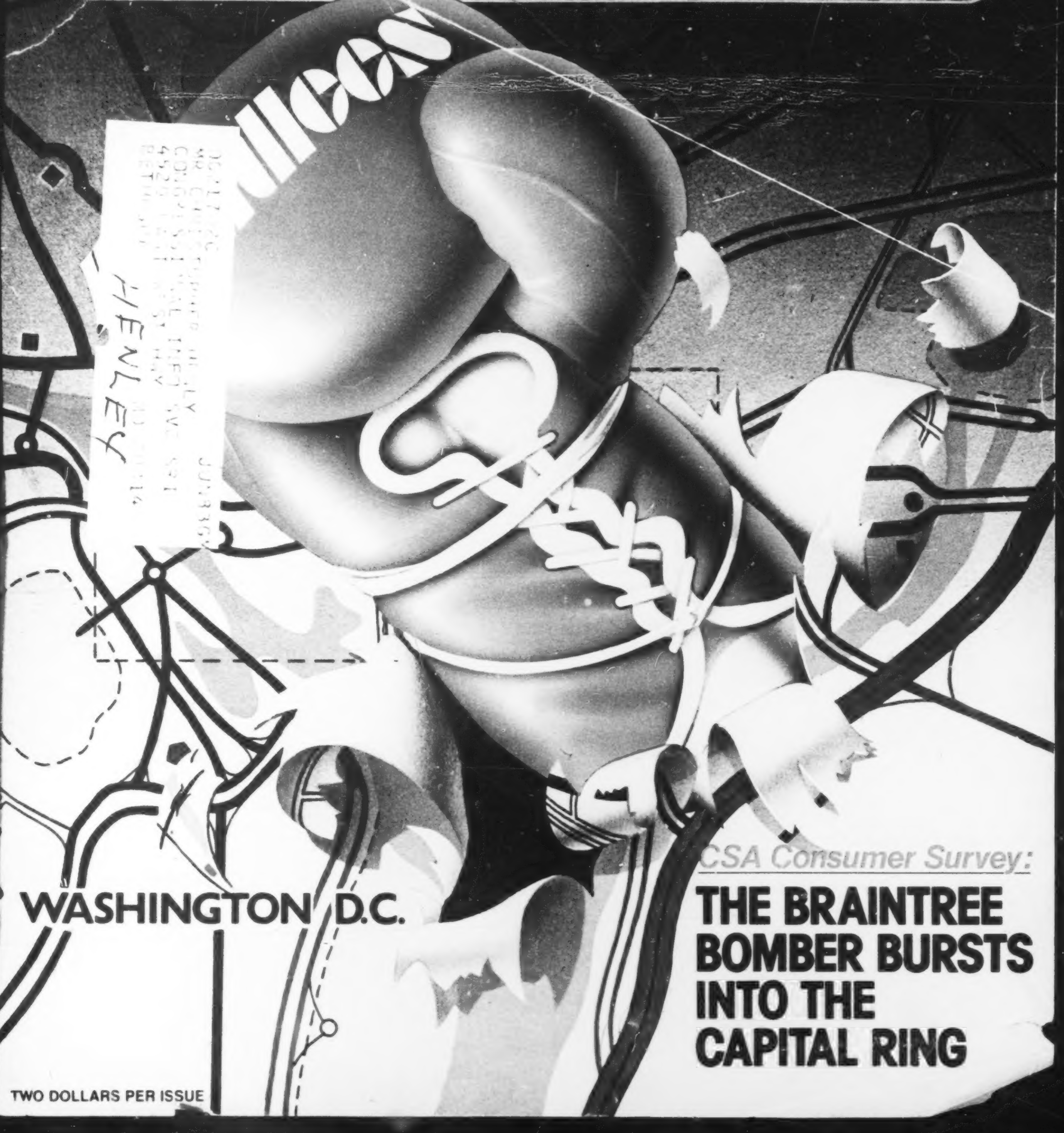
Toys '84: life after Cabbage Patch
Catalogia: combining catalogs and computers

Chain Store Age

GENERAL MERCHANDISE EDITION February 1984



HENLEY

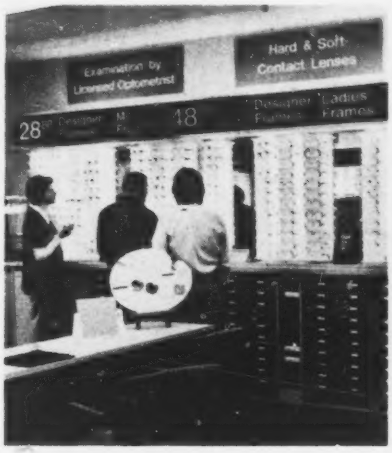
WASHINGTON D.C.

CSA Consumer Survey:

THE BRAINTREE BOMBER BURSTS INTO THE CAPITAL RING

TWO DOLLARS PER ISSUE

IN THIS ISSUE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ShopKo sets its sights on Middle America

The upscale discounter has found a winning formula—a one-stop-shopping center featuring service, service, service—that has catapulted it to the top of the industry 34

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Toy buyers face a mixed bag in '84

At the Toy Fair this month, buyers are celebrating the revival of traditional lines—and bemoaning price increases that may run as high as 5% 74

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Market stabilizing for home computers

Dollar volume will grow at a faster pace than unit sales of home computers for the first time this year, giving retailers a chance to increase productivity without resorting to brutal price-cutting just to maintain high traffic.

Home computer retail sales
(in $ billions)

	1982	1983*	1984*	1985*	1986*
Home computer hardware sales	$1.0	$1.7	$2.7	$3.6	$4.3
Home computer software sales	0.3	0.8	1.4	2.1	3.0

Source: Future Computing Inc.

"Prices for home computers will be relatively stable compared to 1983," says Tricia Parks, Future Computing vp of the newly formed home computer division, "and there will be a turning away from the price wars of last year."

According to the Richardson, Tex.-based research firm's estimates for 1984, computer hardware dollar volume will grow by 58.8% to $2.7 billion, while unit volume should increase by approximately 40%.

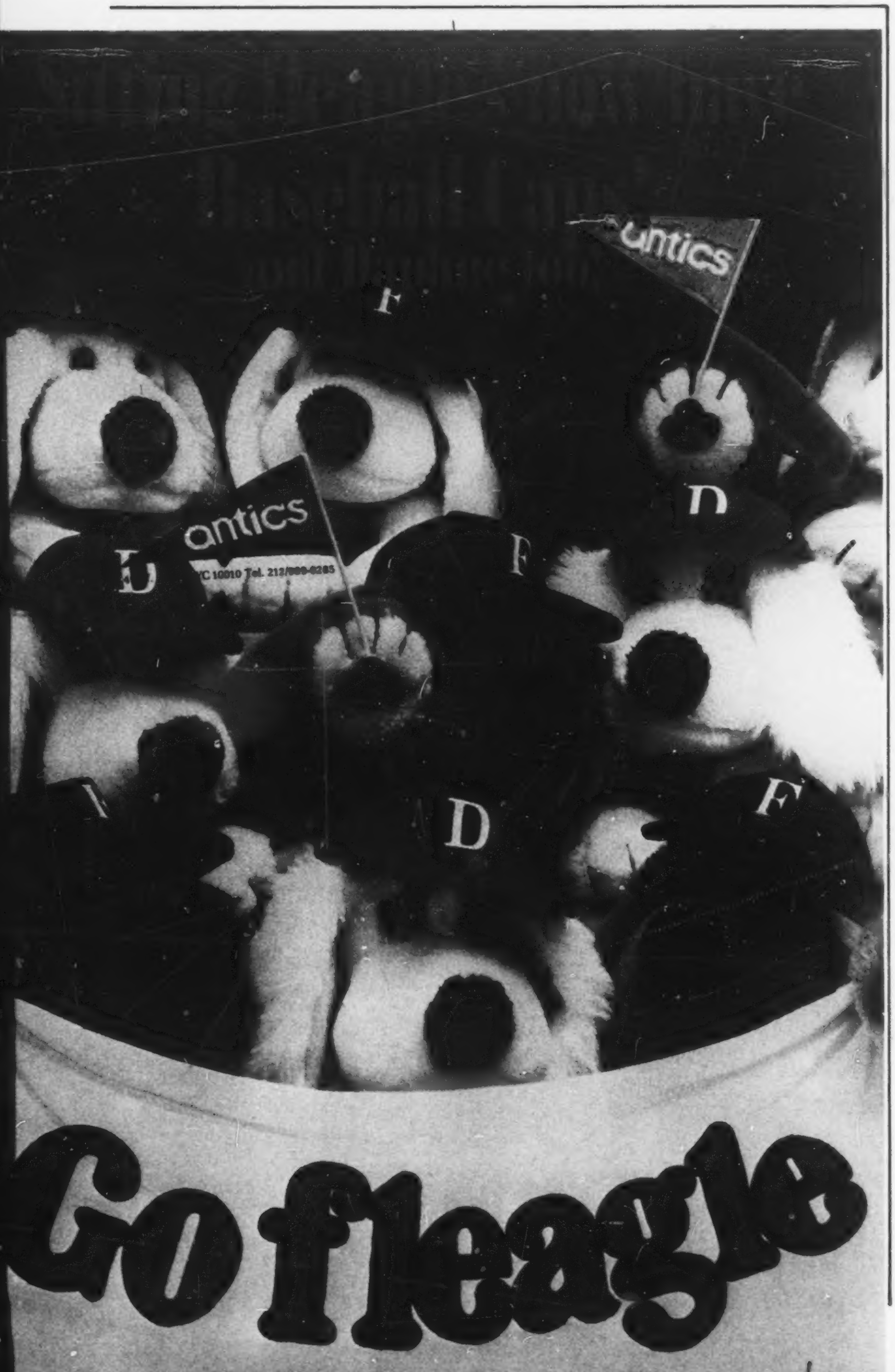
Consumers appear increasingly willing to pay higher prices for a system that performs as they expected. "There has been no negative reaction to our recent price increase," notes Atari chairman and ceo Joe Morgan.

While Commodore is expected to increase its share of the home market from an already dominant 37.5%, Coleco's Adam, Atari's XL series and high-end home machines like the Apple II and IBM PCjr should all show sales increases. With only three major systems to cope with (Apple and IBM will use their own specialty dealer networks), GMers will find it easier to create a strong computer presence using a limited number of resources.

In software, general merchandise chains will continue to dominate the home market (see *CSA* January 1984) as software sales grow from an estimated $1.4 billion in '84 to more than $3 billion in '86.

Correction

In the October 1983 issue of *Chain Store Age*, the Federal regulations for chemically treated fabrics were misstated. There is no specific language that names what fibers or finishes may be used for children's sleepwear. The standards say only that fabrics used for sleepwear must meet specific requirements based on vertical flammability tests. Chemically treated flame-resistant cotton is not banned.



the problem from a marketing perspective, commissioning research to test the concept. The research showed the idea was valid, appealing to both men and women, specifically to upscale shoppers between 25 and 35.

When the companies merged, it was decided to keep operations in Tuxedo Park (all orders are processed through this center, which also handles accounting and customer service) and open the prototype in Richmond. Two of the original Catalogia centers have been closed, and the other two will be reformatted to conform with the prototype. Trimble projects they will have 500 stores within six years, 80% franchised. More realistically, he sees 13 more units this year.

Additional tie-ins: A Japanese franchise opened last October. Called C's Station, the store is operated by Hakuhodo, the 13th largest advertising agency in the world. Since opening in Tokyo, the store has attracted between 80 and 150 shoppers daily. All orders go through the United States operations center. Merchandise is shipped to a central location on the West Coast before being sent to Japan. The only major difference in design is that half the store is devoted to catalogs, half to actual merchandise.

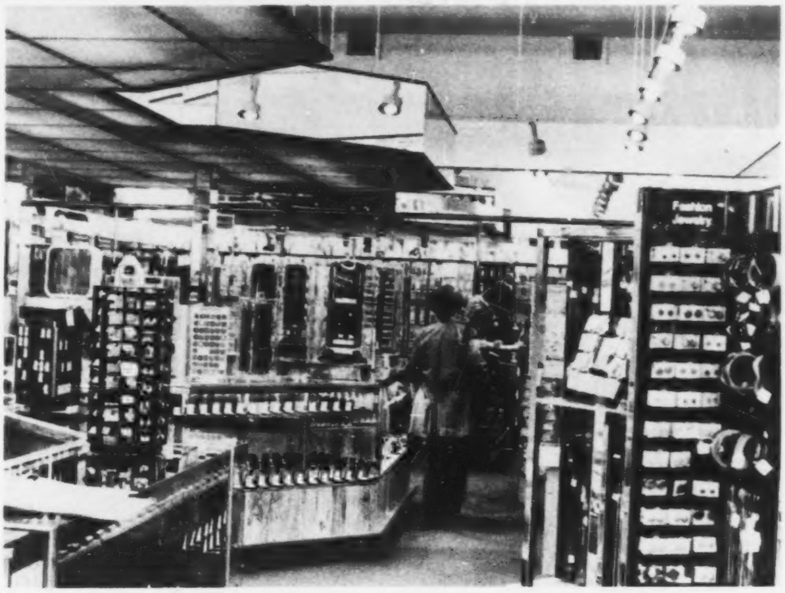
Trimble concedes they may have to do something similar in the Richmond store. "We may work in department store window displays to add a touch of retail excitement. We'll be fine-tuning the prototype until we're satisfied."

They are also exploring a tie-in with the Dow Jones electronic shopping system and a combination personal shopper/executive gift service.

Catalogia seems to be catching on. The company is already seeing repeat business, and a shopping pattern has emerged. A customer comes in the first time to look around or maybe try the computer. It isn't until the second or third visit that an order is placed.

But that doesn't worry Weeden. "I'm passionate about the concept. We've had a constant build-up since we opened. We doubled our business in November, and the ticket size has gone up, too. I couldn't be more delighted." ☐

ShopKo: serving Middle America



***Spotlights and mirrored walls** reflect ShopKo's upscale aspirations.*

In 1962 ShopKo embraced a bare-bones approach to retailing. In those days, the Green Bay, Wis.-based retailer would stock little more than household basics. But today the upscale discounter bills itself as a one-stop-shopping center that features products and services as diverse as cameras and eye examinations—a Middle America-targeted formula that has catapulted the chain to the top of the discount industry.

"We know we're a small, good, regional business," says Gene Bankers, vp/director of advertising, sales promotion and public relations for the 39-store subsidiary of Minneapolis-based Super Valu Stores Inc. ShopKo's 1983 sales were an estimated $450 million, up a strong 15.5% over 1982's $389.5 million. The chain's compound sales and operating income growth, from 1978 through 1982, was 21.3% and 14.8%, respectively—among the best financial results in the discount industry.

'The consumers we understand best are in the bread basket of the United States'

The chain's productivity results were also strong. Based on 1982 figures, it logged $143 in sales per gross square foot and $9.12 in operating income per gross square foot.

Something for everyone: In the past decade ShopKo officials have carefully tailored the upscale discount operation around professional health care services, including pharmacies, eyecare centers and health and nutrition centers. The chain, they say, will add dental clinics later this year, which will be its only leased service operation. The only service missing is snack bars. "We don't have an eating facility," Bankers says, "because we can't do it well."

What ShopKo does do well is serve 150,000-population markets with its version of upscale discounting, which compares favorably with the industry standard-bearer, Minneapolis-based Target (although ShopKo is more price-aggressive).

ShopKo's prototype, a 90,000-sq.-ft. outlet in Green Bay, is the chain's showpiece. As with Target and other upscalers, shoppers enter the store to one side of the checkout registers. The service desk is in front of the checkout area next to the pharmacy and optical center. The rest of the store is merchandised in a race track format and orange color scheme.

Jewelry is the first clue to the chain's upscale aspirations. Spotlights, mirrored walls and an enclosed glass showcase make the department differ dramatically from

ShopKo challenges discount heavyweights*

	Sales per gross sq. ft.	Operating income per gross sq. ft.	% change compound sales '78-'82	% change compound operating income '78-'82
ShopKo	$143	$9.12	+21.3%	+14.8%
Target	156	9.70	+28.0	+25.0
K mart	123[1,2]	2.61[3]	+10.6[1]	− 9.3[3]
Wal-Mart	131	9.33	+39.1	+43.2
Bradlees	109	6.30	+15.3	+19.5
Zayre[1]	87	2.97	+ 7.2	+ 9.3

*Statistics based on 1972 year-end figures

[1] U.S. discount stores only. [2] Includes Meldisco sales. [3] Based on total discount variety business.

Source: *Chain Store Age*

more traditional discounters such as K mart and Zayre, two of the chain's many competitors.

Other upscale features are reflected in ShopKo's merchandising of its 35% soft lines mix (women's apparel is the volume leader). Apparel receives premiere footage adjacent to jewelry and accessories. Lifelike mannequins, wearing fashion clothing, are posed in action positions off the main aisles. Merchandise is neatly displayed on rounders, waterfall racks, four-arms and some piperacks.

But while name brand fashion apparel is an important cog in the chain's strategy, Bankers says ShopKo will stock only merchandise that has a long-term track record. "We're not into ego-intensive merchandise," he says. "We don't take heavy fashion risks."

For example, ShopKo recently tested athletic wear in 15 stores. Bold overhead graphics and partial mannequins create excitement in this area—about 1,200 sq. ft. in the chain's Green Bay prototype. Athletic shoes are featured (including Pony, Saucony, Etonic and Converse) as well as men's, women's and children's athletic wear.

The orderly, planogrammed display of hard lines is also in keeping with the chain's upscale aspirations. Display pieces are eye level on gondolas, while boxed items are stacked from floor to ceiling. This bulk merchandising has its advantages: ShopKo needs only one distribution center since most orders are drop-shipped directly to the stores. And volume business is promoted because the merchandise is always on hand.

Examination by Licensed Optometrist
Hard & Soft Contact Lenses

***Eyecare centers** are part of the store's extensive health care service network.*

Despite the comparison, ShopKo execs say the company has no desire to be another Target, and indeed ShopKo systems differ from the Minneapolis-based discounter because they're decentralized. Many functions carried out by Target execs are done at store level at ShopKo. Store department managers are responsible for reorders, endcap displays, soft lines presentations and markdowns. The two gmms, seven dmms and 36 buyers write orders and are involved with the merchandising of new units.

Future plans for the Midwestern merchant call for filling in current markets starting with new stores in Oshkosh, Wis.; Austin, Minn.; Spencer, Iowa, and acquisition of an older unit in Watertown, S.D., for 1984. Older units, ranging in size from 26,000 sq. ft. to 113,600 sq. ft., are remodeled every five years to keep them current.

Unlike other regionals, ShopKo is content with its lot. Vp/marketing, real estate and distribution George Lopuch says, "We prefer to be a strong regional. The consumers we understand best are in the bread basket of the United States. Besides, it's a more profitable strategy. We know we can't saturate the country in the next 10 years." ☐

Carson's hangs hopes on new executive

Dennis Bookshester doesn't wear surgical greens to the office. But perhaps he should. As ceo of the troubled Chicago department store chain Carson Pirie Scott, he is faced with a situation reminiscent of his late-1970's tenure at Sibley's when he orchestrated a turnaround of the Rochester, N.Y., chain.

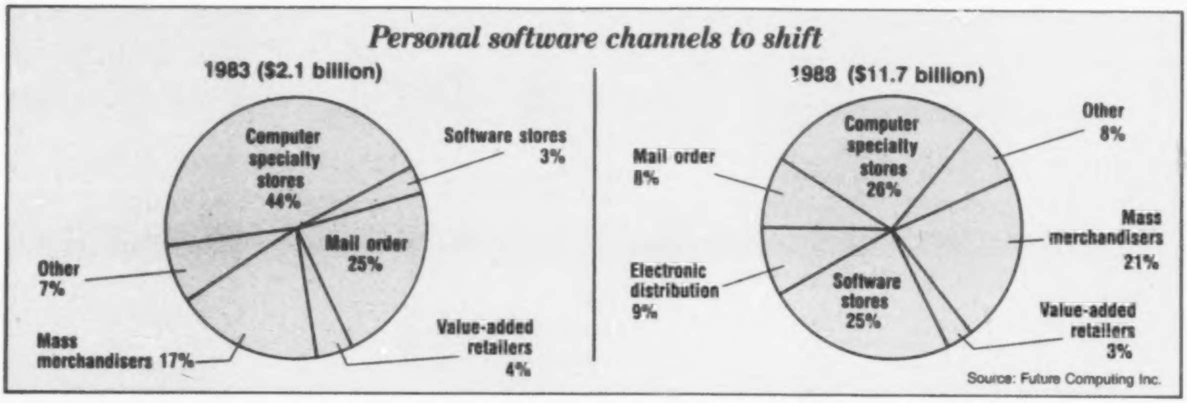
Bookshester, who left Connecticut discounter Caldor, was faced with a mixed financial picture at Carson's when he arrived last August. Third-quarter sales were up only 1% to $81 million, and profits had plummeted 86%. His mission is to boost those sagging profits by delivering a clear-cut image to shoppers in an already intensely competitive market.

Carson's is ripe for change. While sales climbed 4% to $323.4 million in 1982, the five-year compound sales growth rate (1978-82) was up only 4.1%. Earnings, which jumped a strong 28.7% to $14.6 million in '82, showed a 2.4% compound drop in the same five-year period.

Earnings for the last five years, in fact, have never risen above the 1978 benchmark of $16 million, falling to $11.3 million in '81. At the same time, sales per gross square foot are on the low side at about $84 (compared to $104 for hometown rival Marshall Field).

Signs of life: Industry analysts are encouraged by signs of activity within the chain. "The department store division was shallow in management talent," says Mesirow & Co. analyst John Landschulz. "Bookshester's new team [including some members of Sibley's turnaround group] is the first step in making the company more profitable. They will bring about quicker changes and will be in closer touch with the market than before."

Bookshester believes that a customer base must be found and pursued, and that the current schizophrenic merchandising approach must be eliminated. The flagship State Street store, for example, lacks an identity, failing to make a clear-cut presentation to shoppers. For example, two areas of the store



Personal software channels to shift

Source: Future Computing Inc.

Should GMers do business with business?

Business and professional computer users may appear at first glance to be too specialized a market for general merchandise chains to focus on. But while virtually every retailer in the country is posting skyrocketing sales of home computers, industry leaders are taking a strong position in pursuit of the far more profitable personal computer market.

Sears, R. H. Macy and Dayton Hudson, among others, are all strongly committed to carving out their own niche in the business-oriented personal computer market—projected to log $7.82 billion in retail sales this year and increase at an annual compound rate of 32.1% for at least the next five years.

Unlike the home computer market, where cutthroat price-slashing has made the business one of the least profitable for chains and independent specialty retailers, shoppers for higher-end personal computers appear to be looking for something beyond the lowest initial dollar investment.

"The customer has some idea of what he wants a computer to do before he comes into the department," says Fred Larson, president of Minneapolis-based Computer Depot, which operates 33 leased departments in Dayton Hudson, Batus Retail Division, May Co. and Federated department stores. "It may be for a small business, for education or to take work home from his office, or a combination, but the use of the computer is more important than the unit itself.

This section was written by Jeff MacCallum.

***High-end personal computers** represent a new direction for chains.*

"I don't expect price promotion to become a major part of most retailers' approach to the professional computer market," he adds—"at least not for the next few years."

A profitable business: *Chain Store Age* estimates that the average gross margins for the primary computers carried—IBM PC, Apple IIe and Compaq—range from 24% to 32%. Compared to home computers, where margins are cut to less than 10% (virtually from introduction), business machines carry their own weight in the profit department.

For the past year, consumer electronics merchandise managers at most major discount and department store chains have been consoling themselves with the thought that home computers are a razor-and-blades business. Profit, they say, will be made by selling highly margined software and accessories to cover the expense of selling the "box" or CPU (central processing unit) at a minimal markup.

"I've been in retailing for 25 years, and any time you give something away for nothing, you're heading for trouble," says John H. Rollins, national manager of the Sears Business Systems Centers. "The assumption that the customer is going to come back to buy his software at the same store that sold him the 'razor' isn't necessarily working. In a lot of cases, the customer is making his own blades!"

The product that is really being sold at the business computer outlet is neither the hardware nor the software, says Computer Depot's Larson. "It's the end application of the whole system. We're really selling the customer an answer to a problem he has."

Target shopper: Retailers agree that the prime customer for a professional-quality personal computer is virtually indistinguishable from the department store customer. The sole exception is gender: Almost all personal computers are purchased by men.

But while retailers agree that the customer is young (25-45 years old) with an income above $30,000, they admit it is difficult to pinpoint him much beyond that. "I don't think anyone in the industry knows exactly who the prime consumer is," notes Larson.

This lack of a highly defined shopper doesn't appear to be hurting sales—at least for now. "This is a product-driven market," says Larson. "Sales are being fueled by outside factors, like *Time* magazine naming the computer the machine of the year."

Sears' Rollins notes that demand currently exceeds supply, a situation expected to continue for the next year at least. "We're turning IBM PC's as fast as we can get them into the stores," he says.

Eventually, though, sales will slow as production increases and demand stabilizes. "Somewhere down the line, three turns might be a good number," Rollins says. "But for now it's a lot faster. Today no one is holding on to product for four months."

Retail discipline: As the market stabilizes in 1985 and beyond, chainmen say they will be in the best position to cash in on the business. Not only will economies of scale give them buying clout and an edge in distribution, but they will be better positioned to ride the sales roller coaster than small computer specialists. "Today, everybody's sales are shooting up," says Larson. "But eventually there's going to be a shakeout among retailers."

Individually owned computer specialty stores are the most vulnerable, industry insiders say, but even franchise operations could be hurt. Larson explains that manufacturer-owned chains like IBM's Product Centers and chain store subsidiaries like Sears' Business Systems Center are able to continually shift merchandise between markets depending on local sales activity, but the franchisee doesn't have this adaptability. As one observer says, "They're like a tribe with 12 chiefs."

In the years ahead, retail expertise, automated inventory control and sales tracking systems, and chain positioning to serve a well-defined customer segment are key requirements for successful marketing of computer outlets, according to Future Computing Inc., a Richardson, Tex.-based research firm.

Shopper satisfaction: Developing consumer confidence, experts say, may be the single most important factor in the growth of both freestanding computer stores and professional departments in GM outlets.

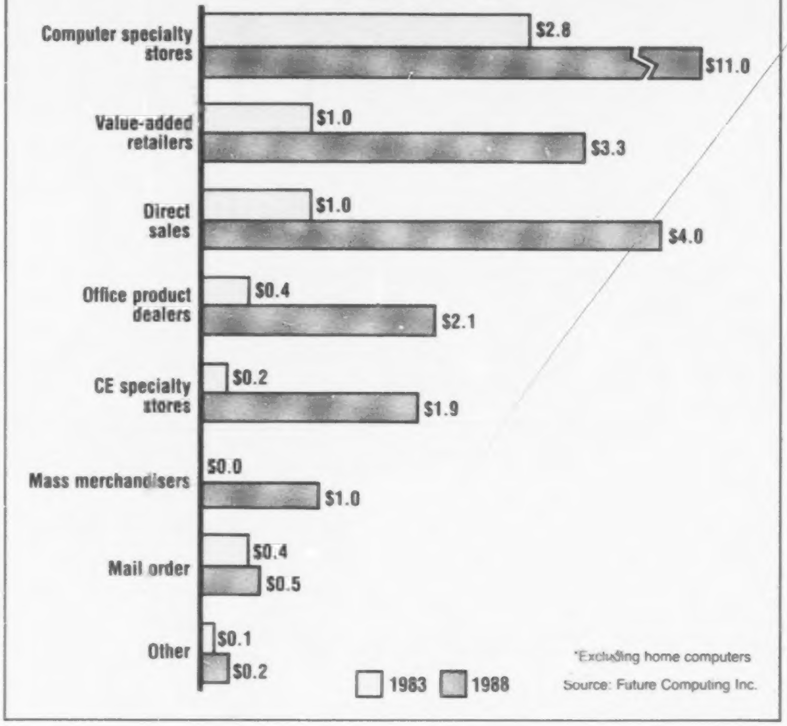
Service is, in many cases, the primary confidence builder. Even though actual incidence of after-sale repairs is very low, retailers report some of the first questions potential buyers ask are about service.

Rollins notes that a very large portion of IBM and Compaq personal computers sold by the Sears Business Systems Centers are purchased with Sears' maintenance contract. "The customer really wants the protection afforded by the extended warranty," he says.

Survival in the personal business computer market for the next five years will call for all the retail skills of every company, both large and small. Larson believes the potential for fast growth and good profits is great, but, he adds, "I think the retailer is also facing an almost hourly potential for disaster. ROI is our lifeblood, so in a business where the bottom line isn't that great, it's essential to understand retailing as well as computers." ☐

Office personal computer distribution channel revenues*

(in billions of dollars)



*Excluding home computers

Source: Future Computing Inc.

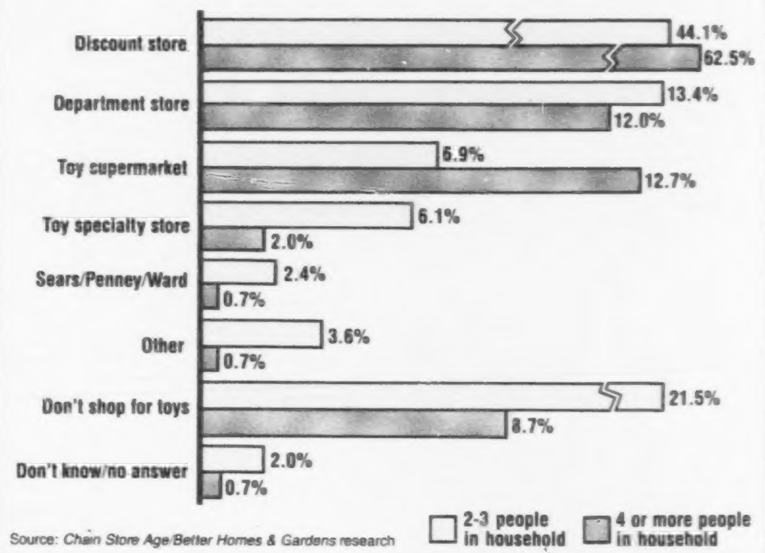
Sears Biz Centers: far ahead of plan

Two years ago, Sears launched five experimental Business Systems Centers in a bold move to tap the growing market for personal computers for small businesses and professionals. "Sears," said one chain topsider at the time, "obviously didn't start five stores in order to open 20 down the road." He was right.

The five-store test has exploded into a 50-unit national chain, with 40 more openings already announced for this year and 1985.

Although Sears executives are

Discounters fare well with toy shoppers



Source: *Chain Store Age/Better Homes & Gardens research*

jungle of licensed products and picking the winners. No one wants to be caught with a holiday shortage of a popular licensed item. Last year near-riots resulted when stores ran dry on Cabbage Patch dolls. But evaluating a licensed product appears to be as much guesswork as anything else. "Let's face it, it was marketing that made the Coleco dolls so hot," says a Jefferson Ward spokesman, "and that's what we have to look for."

But retailers bemoan the overabundance of licensed products. "There are simply too many," says Bob Kuhns, buyer for Nitro, W. Va.-based Hecks. "And they can't all be good. We take a hard look at who's backing the toy, what TV exposure it will have and what age group it appeals to. In addition, it has to be a quality product."

Among the new introductions retailers tout are The Littles, Rose Petals, Super Powers and Inspector Gadget. The baby boom is mirrored in a baby toy boomlet with baby Smurf, Muppet babies and the cartoon strip baby character Marvin. Vendors are also strengthening their mature licensed products with line extensions.

"More often than not, it's word of mouth that sells at Toy Fair," says specialty chain owner Roger Bodart, "and we'll be listening." ☐

Consumers limit toy budgets

Toy buyers aren't the only ones with open-to-buy worries. Consumers have the same problem and have apparently placed limitations on their toy spending plans.

A *Chain Store Age/Better Homes & Gardens* survey shows that 71.8% of shoppers polled plan to spend between $5 and $15 for a toy; 43.5% report an annual toy outlay of $100.

Price expectations are only part of the story: shoppers are demanding quality and safety as well

Not surprisingly, 8 out of 10 believe toy prices are too high. Even the majority of consumers with incomes over $50,000 and homes valued at more than $100,000 (76%) agree.

But these price expectations bode well for traditional toys, which are usually in the $5-$15 range. Retailers report a strong resurgence in a variety of traditional lines, from building blocks to board games.

Price is not the only consumer beef, however. More than half rate the quality of the current crop of toys as good/acceptable, but 40.4% say the quality is worse than it was 10 years ago. Six out of 10 consumers also think that the manufacturer should be responsible for toy safety.

The industry follows self-policing guidelines on safety, officials say, but consumers are unaware of this—a quality concept that needs to be reinforced through advertising. "I think the toy companies should advertise the great value of toys now on the market," says Russ Miller, merchandise manger for toys at Mervyn's. "They need to let the consumer know of the good, long-term safety record the toy industry has today."

Discounters attract shoppers: Over half of shoppers surveyed with children in their household shop discounters first for toys. Just 11.2% choose department stores, and another 12.6% target toy supermarkets as their first choice.

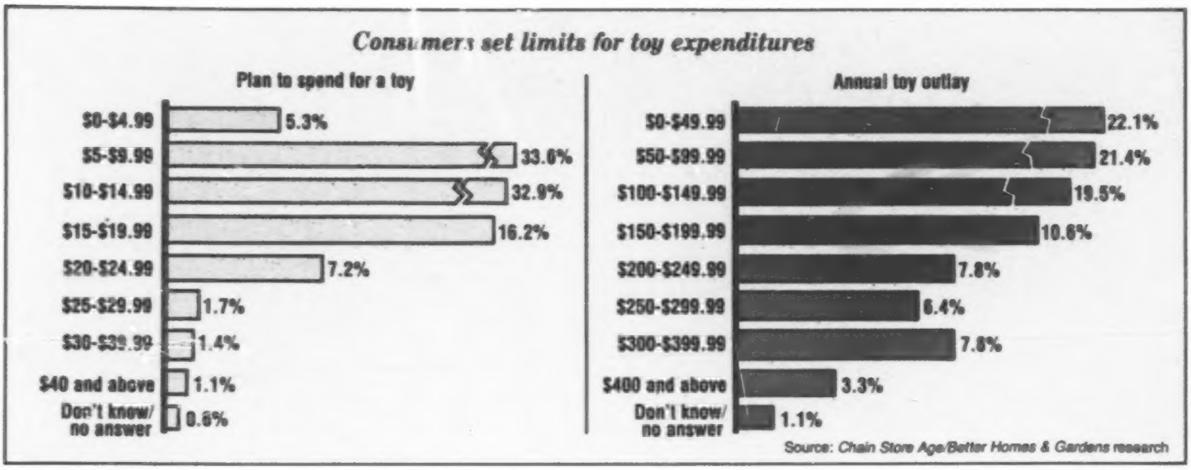
Price, however, isn't the most important consideration in choosing where to shop. Three-quarters of those surveyed say quality is the most important point, while 72.9% are attracted by low everyday prices rather than sales or specials.

But toy retailers should take a closer look at their selection and in-stock policies as 74.4% of consum-

Shoppers rate quality over sales when picking a store to shop

	Total	Households with children
Quality products	76.0%	82.4%
Low everyday prices	72.9	77.8
Wide selection	68.7	75.1
Easy return policy	61.6	63.7
Advertised specials/sales	57.1	56.9
Store guarantee/repair	54.6	54.4
Always in stock	51.8	59.2
Past experience	46.9	48.2
Convenient location	39.0	35.8
Fast checkout	37.5	42.0
Frequent sales	36.2	42.4
Carries unique toys	34.6	34.8
Sales assistance	29.5	27.5
Carries more than just toys	18.1	16.6
Environment/atmosphere	16.4	15.5

Source: *Chain Store Age Better Homes & Gardens research*


Consumers set limits for toy expenditures

Source: *Chain Store Age/Better Homes & Gardens research*

ers say they have to visit several stores to find all the toys on their shopping list.

Toy shopping is still a seasonal event. While 25.1% say they shop only once a year, an additional 39% shop just twice a year—probably for birthdays and Christmas. But there is a base of consumers (32.6%) that shops either monthly or every other month for toys. And while a huge chunk of total toy sales are made during the busy holiday season, business is still generated throughout the year. ☐

Henson, Kermit hop to the top

Kermit the Frog hasn't always been the gold mine he is today. In fact, his first licensing incarnation was a flop. Today his green face is featured on a lily pond full of products, and along with his beloved Miss Piggy, he is one of the best-known characters in show business.

The creative talent behind Kermit and the rest of the Muppets is Jim Henson, who not only makes frogs talk but chickens sing and pigs fly in space. Henson, who coined the term Muppets about 25 years ago, says his creatures are really children of TV. Their first televised appearance was on a local Washington, D.C., show called "Sam and Friends" in 1956.

In the early 60's, Henson and two muppets, Rowlf and Kermit, appeared on network TV on "The Jimmy Dean Show." At this time Henson was approached by Ideal to license the two characters. "I don't think they sold many, and the dolls sort of disappeared," Henson says. "But every now and then, I run into someone who says he grew up with a Rowlf doll, so the ones that sold made a lasting impression."

The next step toward Muppet stardom was "Sesame Street." "At first, we thought we wouldn't do any licensing, but then we realized that public TV and the Children's Television Network [CTW] could use the money," Henson says. "We brought in an expert from the toy industry to help us get started.

"We were careful about guidelines, so that anytime we went with a licensed product it wasn't simply to stick on a decal or a picture," he adds. "There had to be a real reason for the character to appear on the product. We maintained artistic control to make certain the product was faithful to the character."

On their own: When Henson launched "The Muppet Show," his organization geared up its own licensing strategy backed by the experience garnered from working on "Sesame Street." "We still choose products that are suitable to the character. Good taste vs. commercialism—it's a line we all worry about all the time."

Henson Associates (HA!) receives as many as 15 requests each week for licensing. "If it's interesting, we do a whole profile on the company—financial, reputation in the trade, comparative with others," says licensing director Isabelle Miller. "It's also important how we relate to the company. They have to understand the Muppets—the whimsy and fun in each character."

"At first it was a bother to do licensing," says Henson. "I didn't want to do anything crass. After a while it was just that the kids wanted these products and there was a real demand. A secondary reason—and very commercial one—is because licensing helps to support our whole organization, and it turns out to be a good thing for us."

The creative talent behind the Muppets demands whimsy—and integrity—from licensed lines

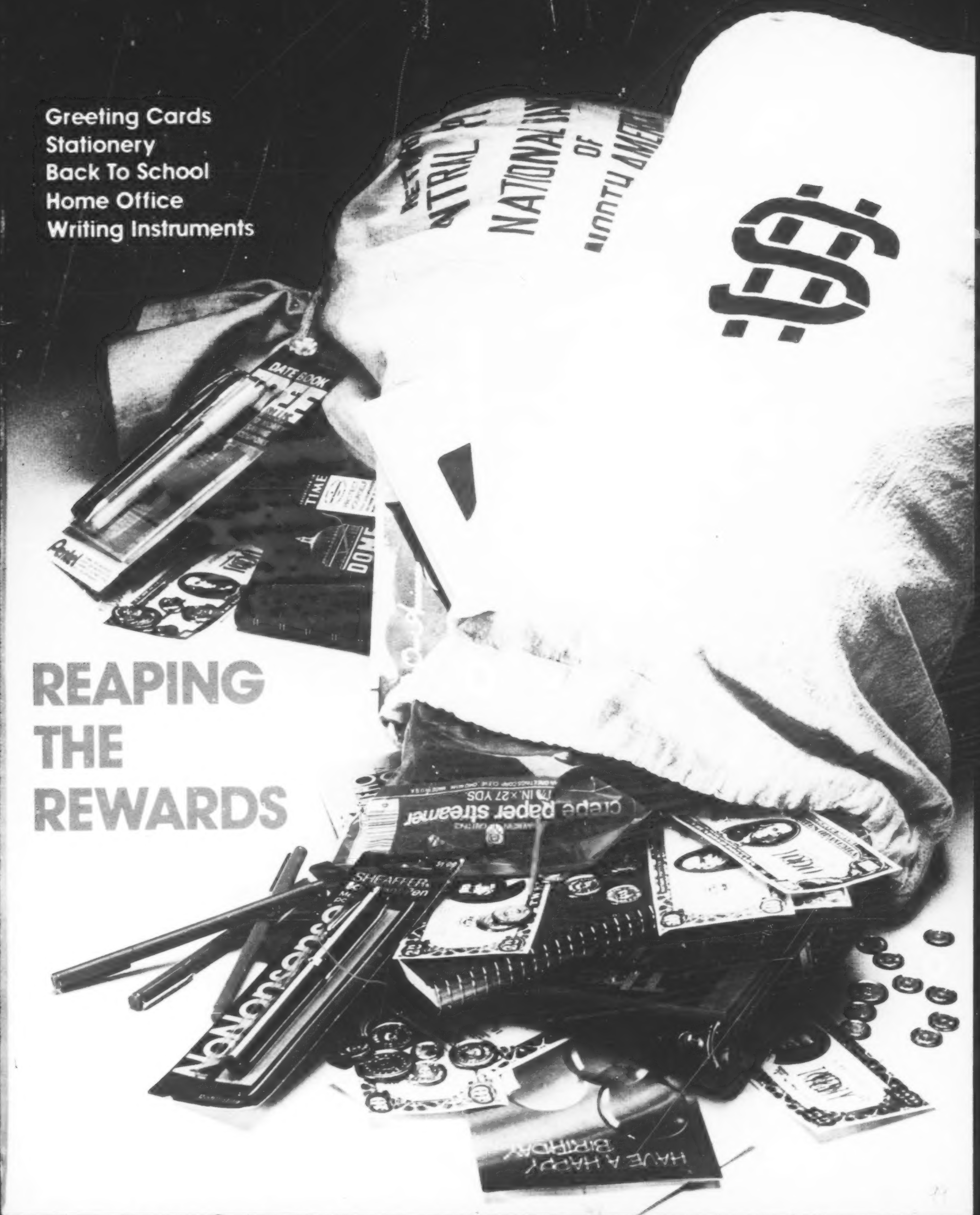
Henson feels he is walking a tightrope on licensing. He owes a responsibility to children and their parents for quality products while at the same time not allowing the Muppets to be exploited. "I get uncomfortable when prices keep going up. It's a compromise between being faithful to the original and adding another $1.75 to the overall cost. So we have to weigh these things."

Art comes first: But for Henson, the production aspect—TV or movie—is always the most important factor. "We've always felt that the show should come first, and if it's correct and has spin-offs into licensing, that's really nice," he

Chain Store Age

February 1984

Greeting Cards
Stationery
Back To School
Home Office
Writing Instruments


NATIONAL BA
OF
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TIME
Pentel
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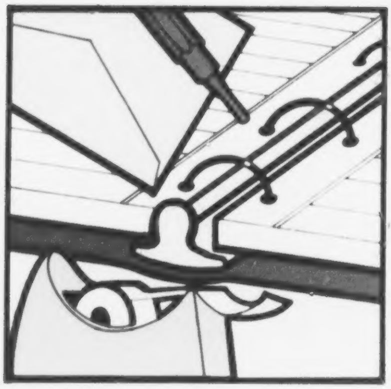
SHEAFFER
NoNonsense
HAVE A HAPPY BIRTHDAY

REAPING THE REWARDS



RECOGNIZING THE POTENTIAL

Attracted by high margins and strong turns, increasing numbers of retailers are recognizing the high profit potential of greeting cards, stationery products and school and home office supplies.

Despite several postal rate increases during the past 10 years, sales in the high margin greeting cards category have grown by an annual rate of more than 10%. Last year a total of seven billion cards were sold in the United States, according to industry figures.

Currently, there are greeting cards for just about every conceivable occasion. Americans are exchanging more greeting cards than ever before and all indications are that the trend will continue throughout the 80's.

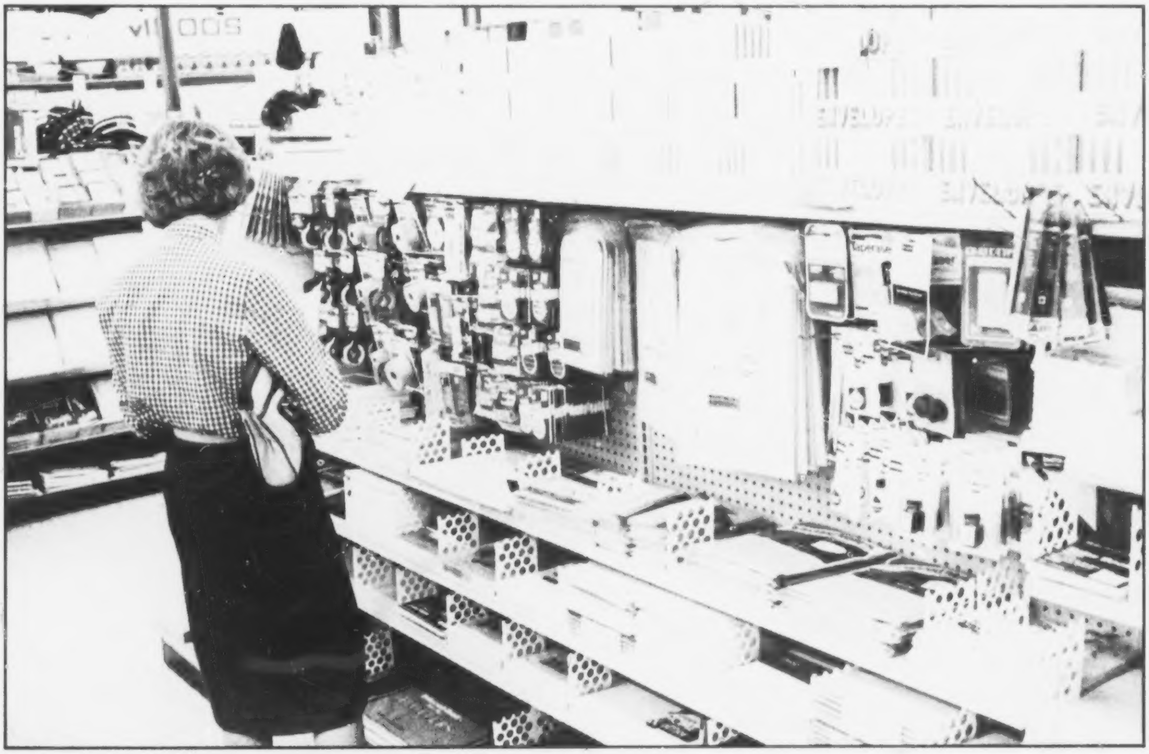
Sales in the multimillion dollar school supplies category also continue to perform very well. Among the items that are particularly strong sellers are wire-bound theme notebooks, pens, pencils, erasers, typing paper, filler paper, ring binders and organizers. On the average, school supplies carry margins of more than 40% and can turn at a rate of more than 10 times a year.

In addition to writing instruments and paper products, the market for tapes has also been growing at a rapid rate. Last year unit sales of tapes increased 9%. Approximately 20% of the sales came during the back-to-school period.

While there has been some concern on the part of retailers that the shrinking student population may signal a slowdown in the demand for school supplies, sales are remaining strong. Moreover, the mini-baby boom currently under way in the United States is expected to further fuel sales during the back-to-school periods in the years to come.

America's current preoccupation with strengthening the nation's educational system should also continue to have a favorable impact on the consumption of school supplies. And growing enrollments in night schools and the increasing numbers of individuals returning to colleges to receive additional graduate and post graduate training virtually insures a steady stream of school supply users.

Perhaps the most exciting new area of the stationery category is the home office supply segment.



RECOGNIZING THE POTENTIAL

While office supply products are by no means a new industry, mass merchandisers have become a major force in the industry. They are providing traditional stationery stores with stiff competition. At stake is the multibillion dollar market that is expanding at an inflation adjusted rate of more than 12% a year, according to the National Office Products Association.

Considering the size of the market it's not difficult to understand why retailers have targeted the home office market as one of the big growth areas for the 80's. The Federal Bureau of Labor Statistics estimates that there are 50 million white collar workers in the United States today. And each year the number of white collar workers increases by 2½%.

What makes the home office market even more appealing to retailers is the fact that many of these white collar workers are employed in small businesses. It is this small business market, which according to Government definitions represents 75% of all American business, that mass merchants are attempting to reach. Many of these businesses are within easy reach of mass merchandise outlets in the suburbs.

As more and more retailers have recognized the opportunities in greeting cards, stationery and home office supplies, there has been a corresponding flurry of activity to improve, expand and promote these growing categories.

In the area of greeting cards, chains are becoming increasingly sophisticated in evaluating profitability and overall performance. Drug stores, always traditionally strong in greeting cards, are now allocating to the department an average of 30% more space in all new stores. Greeting card departments in existing drug stores have also been expanded. And general merchandisers, which in the past have been somewhat slower to recognize opportunities in greeting cards, are now adding as much as 50% more footage in new stores.

Similarly, retailers have been quick to capitalize on the potential for bigger profits in the school supply and home office categories. More chains are upgrading school and office supply lines. Most sources estimate that drug and discount chains together have increased school supplies an average 6% to 8% during the past year. Increases in home office supply departments have been estimated at between 10% to 20%.

The increased shelf space is largely the result of newly introduced upgraded lines. Chains are carrying bigger assortments of high margin office supply products such as filing boxes, storage cabinets, desk accessories and office machine supplies. In addition, a number of retailers are now testing sections for computer supplies. Aside from delivering strong margins, volume in this relatively new area is expected to pick up dramatically as more people purchase home computers.

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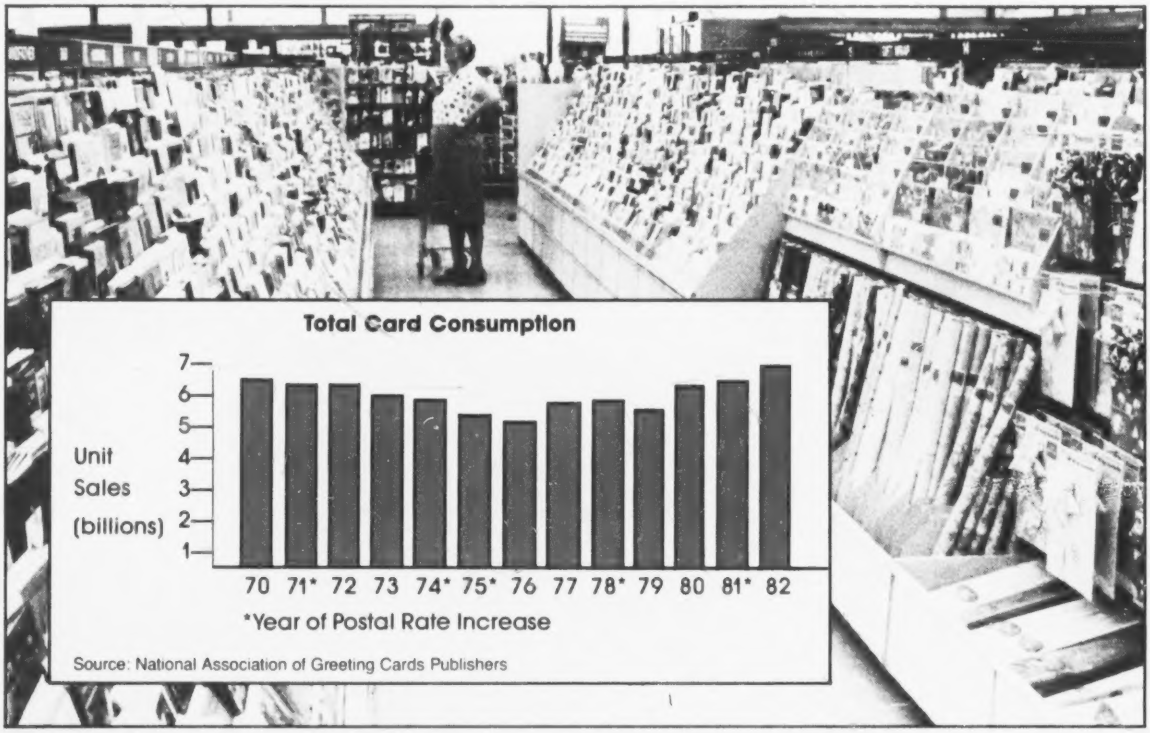
GREATER ASSORTMENTS BOOST PROFITS

Retailers are increasing the productivity of their greeting cards departments by carrying a bigger selection of cards.



Source: National Association of Greeting Cards Publishers

While sales of greeting cards have been growing at an annual rate of more than 10%, many industry observers believe that new inventory control programs, introduced last year by several manufacturers will signal even larger sales increases this year. The reason: Retailers can carry a broader mix of cards that appeal to a larger audience.

Over the past several years, there has been widespread expansion in the greeting cards department by leading retailers. Drug chains, which represent the largest portion of the market, have actively remodeled their departments and in many cases relocated greeting card sections to front end locations. Eckerd Drug currently allocates nearly 40% more space to greeting cards in most remodeled and newly opened stores. Walgreens, Revco, SupeRx, Longs, Osco, Peoples and many other major drug and general merchandise chains are also aggressively pursuing this market.

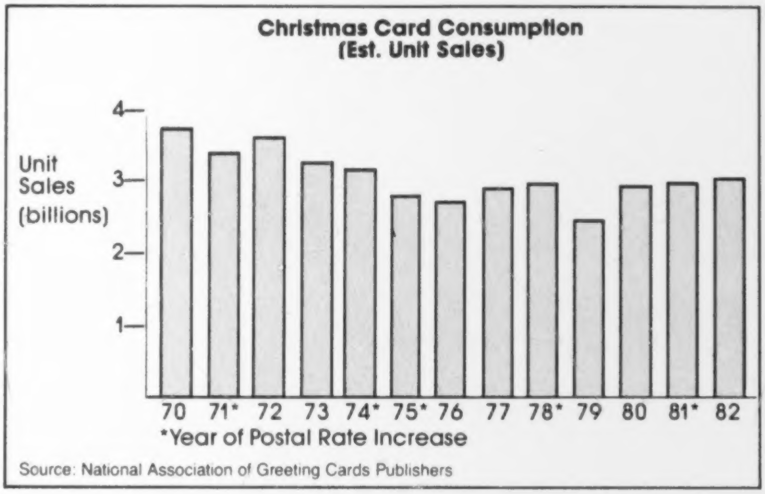
Greeting cards appeal so strongly to mass merchandisers primarily because they are excellent profit makers. On the average, greeting cards carry margins of between 40% and 50%. And because they appeal to both impulse and planned purchase buyers, a greeting cards department in a chain drug store or general merchandise outlet can turn anywhere from six to eight times a year.

The greeting card buyer is also the primary drug and general merchandise store shopper. Women, who tend to be primary consumers of greeting cards, are also the prime shoppers in drug, discount, variety and department stores. One manufacturer reported that during the Christmas season alone, women purchase a staggering 90% of all boxed cards. The median age for these shoppers is 42 for counter cards and 49 for boxed cards.

Currently, greeting cards account for 60% of all household mail. Last year seven billion greeting cards were exchanged. That averages out to a per capita consumption rate of 30 cards for every man, woman and child in the United States.

How much bigger can this enormous market get? Some industry

GREATER ASSORTMENTS BOOST PROFITS



Source: National Association of Greeting Cards Publishers

OFFICE NEEDS

sources project that by 1985 unit sales could reach 8.5 billion.

The growing popularity of greeting cards has also been attributed to the changing attitudes of society in general. The 1970's, frequently referred to as the "me decade," have given way to a decade in which people are more concerned with maintaining interpersonal contacts. Research has shown that the greeting card is one of the most effective ways to communicate on a personal level.

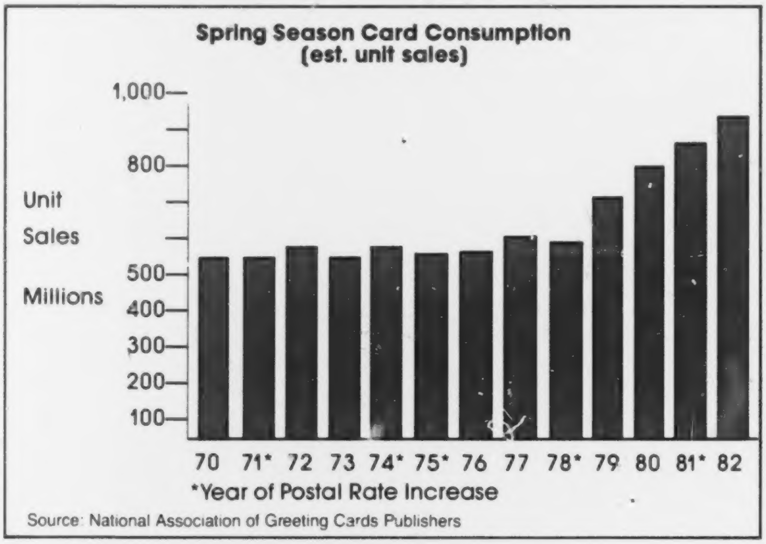
Sales of greeting cards have increased for another important reason. In the past 10 years, a number of small greeting card companies have been successful in reaching younger audiences with a variety of new lines of specialty cards. A number of major greeting card manufacturers have moved aggressively on this front and are introducing new exciting contemporary lines of their own.

These types of cards, which frequently consist of one single humorous caption and may or may not be designed for any specific occasion, have been a huge success with the important 25 to 34 age market. Nearly 17% of the United States population falls within this age group.

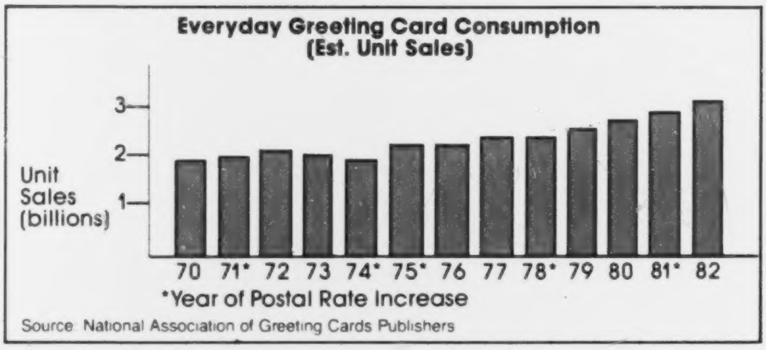
According to Business Trends Analysts, a market research firm, the 25-34 age group accounts for 23.5% of the total greeting card sales. The 35-44 age group generates 20% of the sales. The 45-54 age group represents 22% of the market, people between the ages of 55-64 account for 14% and those 65 and over produce 14.5% of the sales. The 25 and under market is currently the smallest with 6% of the sales.

While Christmas cards still account for the lion's share of the overall greeting card market, in recent years the everyday category has made substantial gains. Some of these cards are highly segmented such as those that are aimed at people in specific occupations. Others carry no message at all and allow the sender to make a more personal statement.

In recent years the licensed card category has also enjoyed considerable success. Besides having a strong identity with consumers, these cards also appeal to people of all age groups.



Source: National Association of Greeting Cards Publishers



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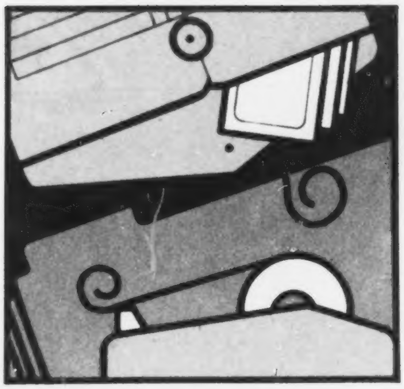


RETAILERS PREDICT LONG-TERM GROWTH

A new study reveals that chains plan to take advantage of the expanding opportunities in the home office supply category.

FILE-A-WAY
2 DRAWER
FILING CABINET

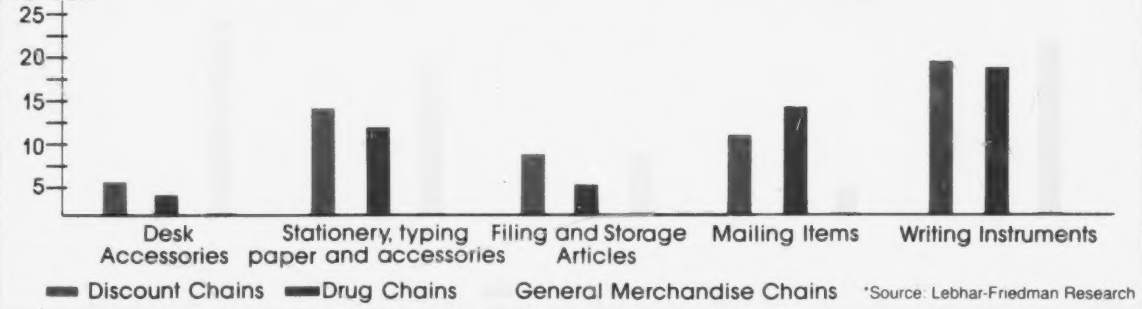
Drug and general merchandise chains have been quick to capitalize on the home office products market. They are upgrading their product lines in an attempt to reach the two main user groups—small businesses and the individual consumer.

A recent nationwide survey conducted by Lebhar-Friedman Research showed that home office buyers for the leading drug, discount and general merchandise chains are planning significant increases in a broad variety of categories including typing paper, typewriter accessories, filing and storage articles, desk accessories, personal planners, calendars and diaries and mailing items.

An overwhelming 71% of the buyers said they expect sales to increase in the home office category, particularly in paper products, typing paper and accessories, writing instruments and storage products.

Chains such as Venture, Target, Wal-Mart, SupeRx, Thrifty and Walgreens, which began expand-

Sales Volume Generated by Selected Home Office Categories



*Source: Lebhar-Friedman Research

ABOUT THE SURVEY

The findings from the Lebhar-Friedman survey were based on the responses from 86 home office supply buyers from the leading drug, discount, general merchandise and supermarket chains.

Qualified chains were selected from the top 100 in their respective classes of trade. The average chain represented in the survey operated 468 units and reported an annual dollar sales volume of $47 million.

RETAILERS PREDICT LONG-TERM GROWTH

ing and upgrading their departments several years ago are actively promoting them. "They are sending a message to consumers that they are the place to shop for stationery and home office products," one industry source says.

In the case of the California-based Thrifty Drugs, the expansion program is being conducted on a chainwide basis. In other instances, retailers are installing home office supply centers in test store locations that are frequently in close proximity to many small businesses.

But whether the departments are introduced chainwide or put in on a limited basis, retailers agree that the key to succeeding with home office departments is to make certain that the customer can find the product he occasionally purchases every time he walks into the store.

While there are certain times during the year such as tax season when demand for office supply products is greater than normal, home office products should not be considered seasonal. Indeed, according to L-F research findings, the only category carried "seasonally" with any degree of frequency is "personal planners, calendars and diaries." And even in that category a number of buyers indicated that they expected to carry those products on a more regular basis in the coming year.

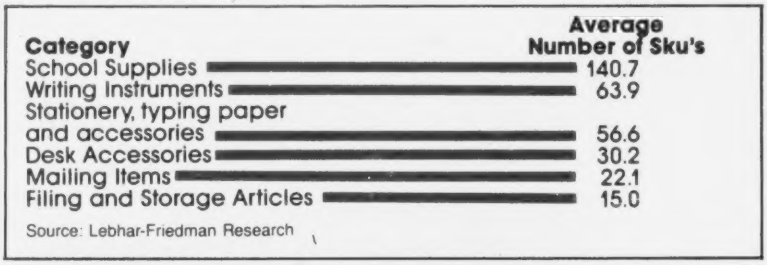
Generally, more than 50% of the home office buyers rated the profit margins and overall growth rate of the home office category as either "excellent or very good." Buyers from discount and drug chains were particularly positive in their ratings.

Seventy-six per cent of the drug buyers and 57% of the discount store buyers rated margins in the home office category as "excellent or very good." In addition, more than three-quarters of the discount buyers said the growth rate for products in the category are also "very good to excellent."

Among the specific product categories that generated the largest overall percentage of sales, the home office buyers frequently cited writing instruments, paper supplies and mailing items.

Not unlike greeting cards, home office supplies are generally considered impulse items by many drug, discount and general merchandise buyers. However, after several instances of a consumer purchasing a package of manila envelopes, legal pads or a box of index cards in his neighborhood mass merchandise outlet, a pattern of planned purchases is likely to develop, many retailers say.

The biggest advantage drug and general merchandise chains have over the traditional office supply store and stationery outlet is that the latter operates on a much higher markup. Consequently, many drug and general merchandise retailers believe they can exploit this market through competitive pricing.



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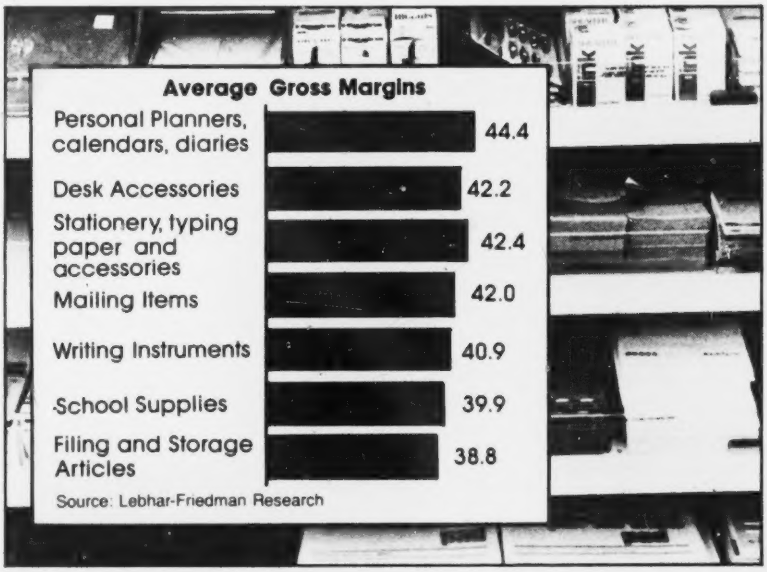

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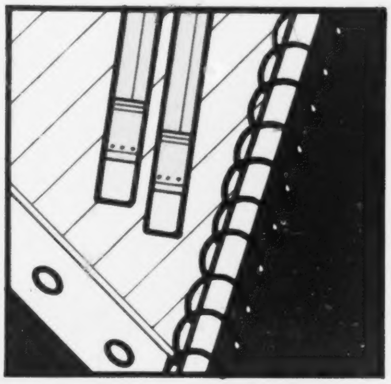


YEAR-ROUND DEMAND STIMULATES SALES

Line extensions have enabled retailers to target school supplies by age group and satisfy the growing needs of the student population.

It used to be that school supplies were regarded as seasonal items in some drug and general merchandise outlets. But in addition to their obvious appeal during the August and September back to school period, school supplies are now steady sellers throughout the year.

Indeed, only 2% of the drug, discount and general merchandise buyers responding to the Lebhar-Friedman Research survey said they carry school items on a seasonal basis.

School supplies actually are the leading stationery sellers in most mass merchandise outlets. When measured collectively school supplies generate 37% of the stationery department sales in discount stores and 41% in drug stores. Moreover, 78% of the buyers said that they expect school supply sales to increase in the coming year.

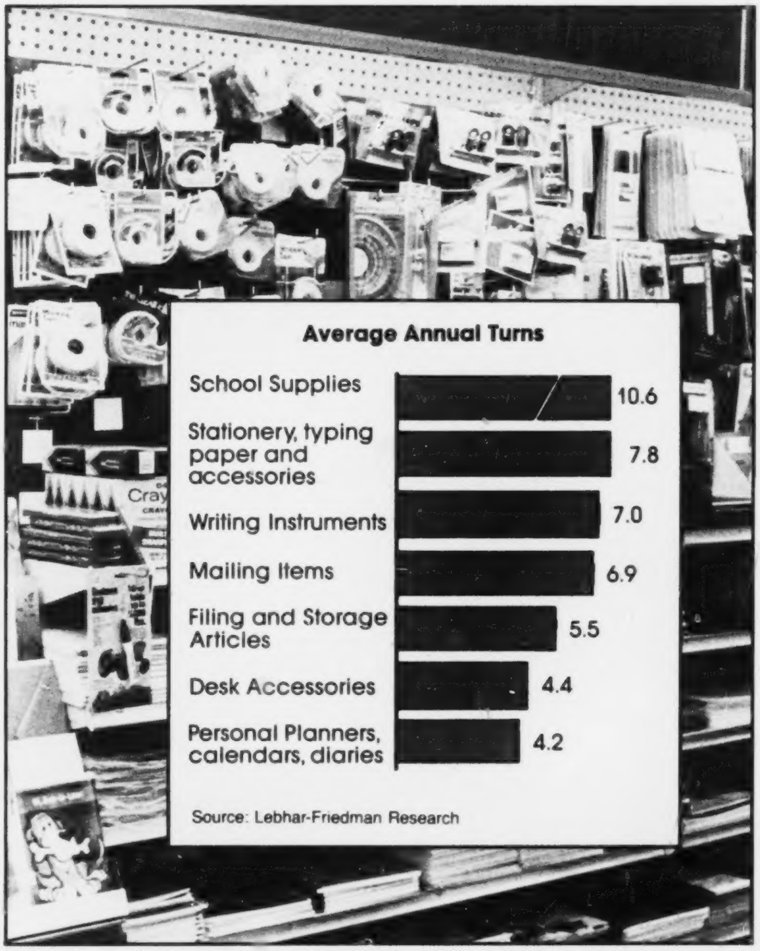
The projected increased demand for school supplies, a result of growing enrollments in day and night schools, has prompted many chains to increase their space allotments especially for ring binders, spiral notebooks, filler paper, pads and folders. In fact, according to the L-F survey, 42% of the buyers expect to provide more shelf space for school supplies during 1984.

While overall year-round sales of school supplies are up, the lucrative back to school period continues to be the driving force in the category. A new survey conducted jointly by *Chain Store Age General Merchandise Edition* and *Better Homes & Gardens* magazine revealed that the average consumer who purchased merchandise during the BTS period allocated approximately 12% of their total expenditures for stationery and school supplies. The only other categories where consumers spent more were apparel, shoes and text books.

In many cases buyers are reporting that they are extending some of their school supply lines. They cite the fact that students are interested in better quality merchandise.

Among the products that retailers are upgrading are portfolios, report covers and higher grades of writing tablets. The trend among students is toward more utilitarian and attractive school products that hold up under heavy use. Generally, these higher end products carry bigger profit margins.

Retailers are also targeting the younger age groups of students. Licensed character school supplies remain the strong sellers among the elementary school students. Even though these products can be risky retailers say the perennial favorites are consistent performers.



Source: Lebhar-Friedman Research

***According to a** recent survey, half of '84 sales appear to be already in the bag.*

Replacement biz sweeps vacuum cleaner sales

Vacuums appear to be one of the least desirable housewares classifications. Margins average a low 23%, and an estimated 85% of sales are generated through promotional pricing. Nevertheless, most merchants stock a minimum of 10 sku's and report floor care departments contribute 5%-15% of their total housewares sales.

"It's a very competitive business, but the category is necessary to the mix," says Don Raplinger, housewares buyer for Lexington, Mo.-based Mattingly stores. Like other full-line retailers, Raplinger says customers think about buying a new vacuum cleaner only when their current model finally breaks down.

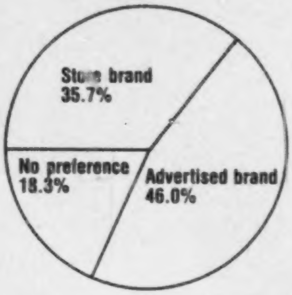
A recent *Chain Store Age*/Leo Shapiro & Associates consumer study reflects this trend. The statistics show that for every two consumers who purchased a vacuum in the past year, there is one shopper planning to buy one during the next 12 months. Moreover, the study indicates that vacuums are necessity purchases, unlikely to be delayed should the consumer curb family spending.

Quality products and good value are more important to replacement shoppers than to first-timers

Retailers report differences between the first-time purchaser and the replacement customer. First-timers are more price-conscious, says Marty Goodman, housewares dmm for Miami-based J. Byron. However, he adds, "Replacement customers definitely know what they're looking for."

Dallas-based Sanger-Harris assistant buyer for small electrics Belinda Baird agrees. Replacement shoppers, she says, look for quality products at a value and will often step up from their current models.

Consumers favor branded vacuums



Source: *Chain Store Age*/Leo Shapiro & Associates

But regardless of their buying experience, the *Chain Store Age*/Shapiro study points out that they're savvy shoppers. Prospective buyers are very realistic in their price expectations: More than 46% expect a new vacuum to retail for $100-$299, while 25.3% anticipate a lower price tag and 18.3% expect higher.

Shoppers can find uprights as low as $39 or canisters that run as high as $500. But retailers say the bulk business is in uprights, ranging from $75 to $150, so they tailor their mixes accordingly. Most carry 60% uprights/40% canisters, with the heaviest model concentration in steps surrounding the $100 price point on promotions.

The survey also shows that vacuum cleaner customers are very brand-conscious, preferring nationally advertised names over store labels. Nearly 50% of those polled say they want a brand name model. Moreover, 24.5% of this group won't consider a store brand instead. Fewer than 20% of the respondents are undecided about which brand they'll buy.

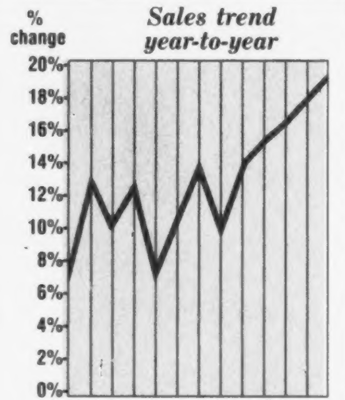
Apparently, retailers have reacted to this trend. Most report carrying only Hoover and Eureka despite the numerous brands available. Even Montgomery Ward responded to customer preference in its 1983 Fall/Winter catalog: All 17 vacuums offered were made for Ward by Hoover or Eureka. ☐

Big spenders spur December sales

December was not merely a month in which retailers in the *Chain Store Age* sales survey logged the highest percentage increase of the year—19.4%. It was also a month where big-spending consumers unleashed their credit and cash fury on pricey merchandise. "Christmas shoppers," says a Montgomery Ward spokesman, "tended to buy higher-quality merchandise and made investment purchases like major appliances, TVs and jewelry."

That was good news for big-ticket GMers and high-end department stores. Chicago-based Ward, for one, recorded a 15.6% same-store increase (including a 30% jump in major appliances), and hometown rival Sears reported a 17.5% sales hike for its domestic operations. Meanwhile, in the department store group, the best increases were recorded by the upscale merchants. Los Angeles-based Carter Hawley Hale reported a 21.2% same-store increase for its department store group, and New York's R. H. Macy logged a 23.8% sales hike.

The consumer splurge on better-quality and higher-priced merchandise was reflected in the modest sales results reported by middle-level department store chains. While their results were good by any other standard, the upscalers took better advantage, through their higher-price mix, of a hefty jump in discretionary income (estimated at 11% for the fourth quarter). New York-based Mercantile, for example, recorded a 13.8% sales increase, while Allied Stores, another New York-based chain, reported a 13% same-store hike.



Composite of sales trends comparing monthly change vs. prior year for the 25 retail companies tracked by *CSA*.

Many happy recovery returns

		Dec. sales*		Stores		11-mo. sales		
Major chains	% change	1983	1982	1983	1982	1983	1982	% change
Sears[1,6]	+ 34.6	3,748,083	2,784,483	887	831	22,674,153	18,917,229	+ 19.9
Penney	+ 11.6	2,130,000	1,908,000	2,031	2,070	10,370,000	9,795,000	+ 5.9
Ward[1]	+ 14.1	1,025,422	899,100	375	389	5,681,005	5,282,482	+ 7.5
Federated[5]	+ 12.4	1,563,100	1,390,500	546	510	8,086,400	7,130,400	+ 13.4
Dayton Hudson	+ 25.0	1,310,545	1,048,938	1,083	984	6,399,105	5,197,883	+ 23.1
May Dept. Stores	+ 16.8	779,100	666,800	1,559	1,394	3,990,000	3,450,000	+ 15.7
R. H. Macy	+ 23.8	748,100	604,100	93	92	3,636,600	3,049,400	+ 19.3
Allied Stores	+ 16.4	674,200	579,400	572	533	3,487,100	3,041,600	+ 14.6
Carter Hawley Hale	+ 22.4	710,900	580,900	1,087	1,027	3,399,400	2,865,400	+ 18.6
Associated Dry Goods	+ 21.2	712,300	587,600	331	253	3,492,000	2,930,000	+ 19.2
Mercantile	+ 13.8	274,591	241,383	86	83	1,520,754	1,342,057	+ 13.3
K mart	+ 11.3	3,066,457	2,754,875	2,167	2,123	17,536,029	15,767,743	+ 11.2
Woolworth	+ 7.2	939,729	876,588	N/A	N/A	5,124,854	4,827,128	+ 6.2
Wal-Mart	+ 41.2	710,000	503,000	642	552	4,336,000	3,140,000	+ 38.1
Household Merch.[2,3,5]	+ 2.3	400,159	391,017	3,654	3,769	2,670,609	2,749,300	− 2.9
T.G. & Y.	+ 0.3	332,456	331,390	811	901	1,882,801	1,970,006	− 4.4
Zayre[4]	+ 33.3	471,540	353,751	750	627	2,499,025	2,043,059	+ 22.0
Bradlees	+ 38.3	250,200	180,900	127	106	1,123,000	826,000	+ 36.0
Murphy	+ 14.7	152,294	132,829	406	423	822,352	777,046	+ 5.8
Rose's	+ 26.5	138,522	109,545	245	239	790,058	631,061	+ 25.2
Heck's	+ 12.1	61,900	55,200	122	119	435,700	399,300	+ 9.1
Jamesway	+ 28.4	76,706	59,724	78	68	399,209	318,472	+ 25.4
Melville	+ 30.3	653,378	501,475	5,747	5,482	3,906,369	3,218,901	+ 21.4
Tandy	+ 10.6	414,697	375,049	N/A	N/A	2,433,736	2,104,073	+ 15.7
Edison Bros.	+ 18.0	143,761	121,844	2,166	2,129	1,021,678	915,900	+ 11.6
The Gap	+ 12.1	98,400	87,800	569	548	451,000	420,600	+ 7.2
Totals & Averages	**+ 19.4**	**21,254,084**	**17,794,801**	—	—	**116,286,136**	**101,140,034**	**+ 15.0**

*000 omitted. N.C. = no change. N/A = not available.
[1] Store number for full-line outlets only. [2] Includes 2,802 franchise stores (vs. 2,824 a year ago). [3] Includes T.G. & Y. sales. [4] Includes 275 Zayre stores (vs. 264 a year ago), 357 Hit or Miss stores (vs. 277) and 118 T. J. Maxx stores (vs. 86). [5] Excludes supermarket sales. [6] Includes results from Simpson-Sears.

Despite the post-recession Christmas boom, other GMers didn't fare as well as expected. Best Products Co. Inc., a Richmond, Va., catalog showroom chain, posted a meager 1.8% December sales increase. Troy, Mich.-based K mart reported a weaker-than-expected 11.3% sales hike considering that the discounter was working against soft December '82 results (only an 0.8% gain in the last Christmas shopping period).

Wickes profit picture improves

Wickes may still be operating under Chapter 11 of the bankruptcy-law proceedings, but the Santa Monica-based firm's third-quarter '83 results reflect an improved profit picture.

The chain reported earnings of $19.4 million for the quarter compared with a $75.8 million loss during the same period in 1982. Sales for the quarter were up 10.7% to $751.8 million.

For the nine months, Wickes' earnings were $10.2 million compared with a $126 million loss during the 1982 period. Sales rose 9% to $2.14 billion.

Wickes, whose holdings include lumber products and retailing firms, filed for bankruptcy under the Chapter 11 regulations in April 1982.

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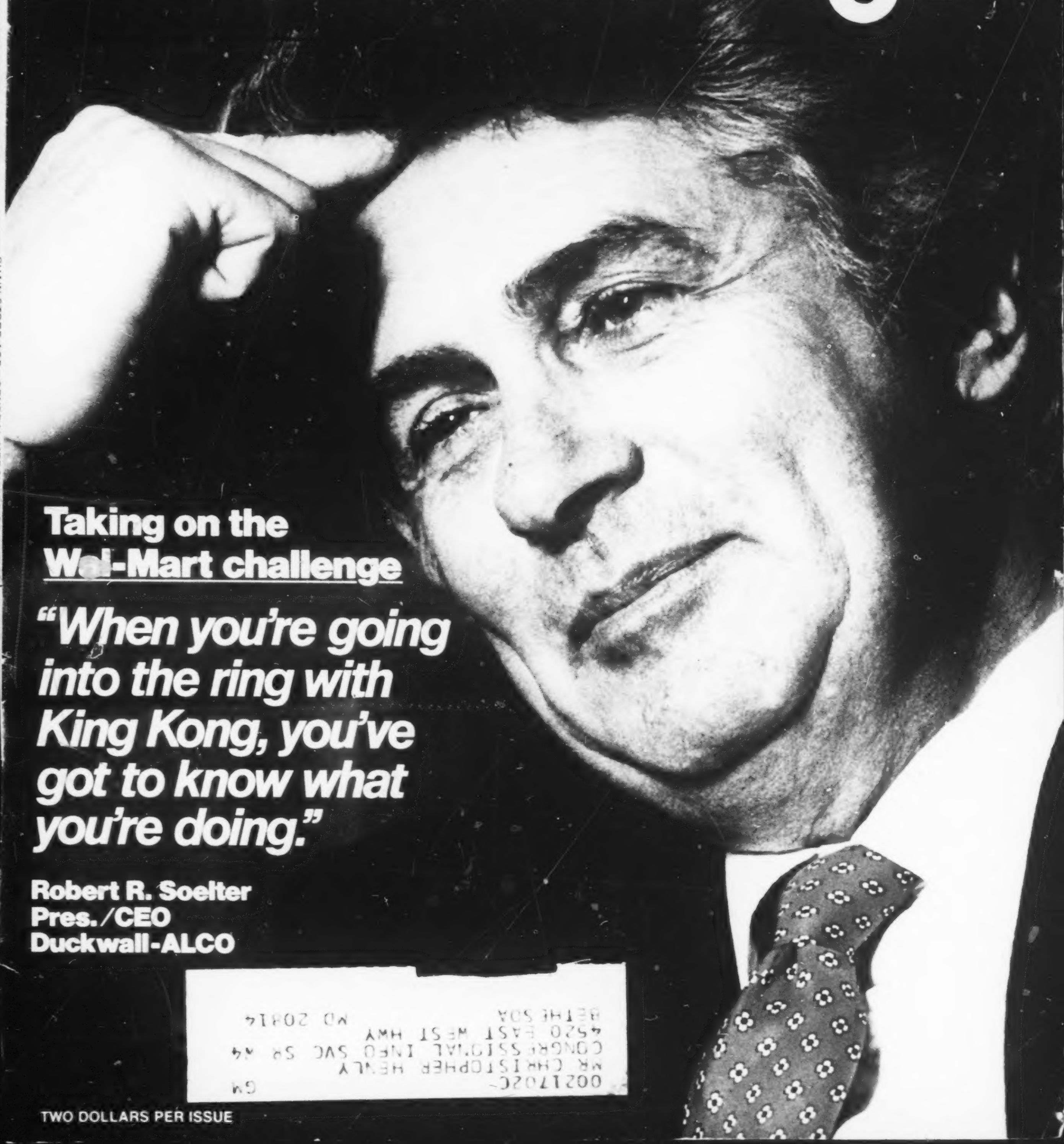
Battle of the Big 3 prototypes
Consumer electronics: fun and games

Chain Store Age



Taking on the Wal-Mart challenge

"When you're going into the ring with King Kong, you've got to know what you're doing."

Robert R. Soelter
Pres./CEO
Duckwall-ALCO

00217020- GM
MR CHRISTOPHER HENLY
CONGRESSIONAL INFO SVC SR 44
4520 EAST WEST HWY
BETHESDA MD 20814

TWO DOLLARS PER ISSUE

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Duckwall-ALCO on the up escalator

	1982 sales (000 omitted)	% sales change	1982 net income change	% net income change	Sales per net square foot	Earnings per net square foot	% change '78-'82 compound sales	% change '78-'82 compound earnings
Duckwall-ALCO	$205,141[1]	+ 9.7%	4,313	+55.4%	$84.81[1]	$1.69	+12.7[1]	+ 8.9%
Majic Mart	111,616	−10.8	472	+19.2	72.48	0.31	+ 2.4	−25.1
Duckwall-ALCO ('83)[2]	313,400[1]	+52.8	7,450	+72.7	90.00[1]	1.94	+18.5[1]	+14.6
Duckwall-ALCO ('84)[2]	388,900[1]	+24.1	10,750	+44.3	95.00[1]	2.71	+24.5[1]	+34.5

[1] Discount stores only.

[2] 1983 and 1984 figures are estimates; 1983 and 1984 compound growth estimated on a five-year basis ('79-'83 and '80-'84).

Source: Kidder, Peabody & Co./*Chain Store Age research*

Merchandise mix flexibility, however, may be the key to competing with the larger Wal-Marts. "I think that's where the ALCO manager has an advantage over a Wal-Mart manager," says Robert Green, a retail analyst with Kidder Peabody & Co. "The ALCO manager is left with a great deal of both price and merchandise discretion. You don't go after Wal-Mart on price. They're [Duckwall management] the very first to admit that you don't win getting into a price war with Wal-Mart, because Wal-Mart will do anything in its power to be the lowest price in any market, bar none. So all you end up doing is shooting off your own toe when you get into one of those things."

One former Majic Mart manager, now with ALCO, has already noticed the change since the May takeover. Larry Darwin of ALCO's Corinth, Miss., store says his new bosses "are a lot more aggressive" than their predecessors. The store's shoppers also see the difference. One long-time Majic Mart shopper now calls it a "toss-up" between

Big-city stats in small-town flats

Duckwall-ALCO's success story is shared by other small-town retailers, from Wal-Mart to Rocky Hill, Conn.-based Ames Department Stores. They're all part of a long-term growth trend in rural America. In recent years, these small-town discounters have grown faster—and are more profitable—than the average general merchandise chains. They may differ in size and strategy, but they all profit from population changes and the lack of competition in many of these smaller markets.

Retail analyst Fred Wintzer Jr. studied this retailing phenomenon in his Lehman Brothers Kuhn Loeb report on rural retailing, in which he traced its initial surge in the early 1970's. "Between 1972 and 1977," he wrote, "retail expenditures in urban areas increased by only 7.4% [after inflation]. In contrast, spending increased by 12% in nonmetropolitan counties close to cities and by nearly 14% in rural areas."

Shifting demographic trends keyed the surge. According to Wintzer, in the 1970's population in nonmetropolitan areas increased more rapidly than in urban areas.

But there's also less competition from off-pricers and specialty retailers in smaller markets. As a result, the small-town chains have beefed up their bottom lines. "They don't compete with off-pricers because they [off-pricers] need a volume that little towns can't provide," says Gary Wirt, retail analyst at The Chicago Corporation.

The small-town retailers' markets are also larger. Shoppers are willing to travel longer distances, which expands the store's population base. "A town of 15,000 may have a market area of 50 miles," says Wirt, "so the population may really be 40,000."

On the other hand, rural America is for the ALCOs and Wal-Marts, not K mart, the nation's largest discounter has decided.

"You probably won't see too many more of our Group 9 [40,000-sq.-ft.] stores built," says Norman G. Milley, K mart's exec vp/merchandising and subsidiaries. The reason: K mart's expense structure requires a higher per-store volume than the Group 9'ers can generate. They average a *CSA*-estimated $5 million.

K mart has more than 300 small units and is developing a program to widen their assortments and raise markups. The company will concentrate its 35-40 new stores this year, and the expected 30 a year thereafter, in the 72,000-sq.-ft. or 55,000-sq.-ft. size, says Milley.

How rural retailers stack up

	5-year ('78-'82) annual growth		3-year average ('80-'82)	
Company	**Sales**	**Profit**	**Return on assets**	**Return on investment**
Ames Dept. Stores	20.3%	18.1%	7.3%	19.4%
Dollar General Corp.	17.3	10.7	7.5	12.5
Duckwall-ALCO	10.7	8.9	4.4	13.0
Family Dollar Stores	18.7	18.1	12.8	20.6
Wal-Mart	37.6	40.6	8.8	25.6
Median performance of all publicly held retailers	12.6	9.0	5.6	12.1

Source: Lehman Brothers Kuhn Loeb research/*Chain Store Age research*

Spending 'high' for fans cools off

Small electrics retailers can heat up summer sales by helping consumers stay cool and save money. Portable fan promotions, angled toward the budget-minded, are the key.

Fans are most often purchased by savings-minded shoppers. Philadelphia-based John Wanamaker's small electrics buyer Chuck Betsch explains, "Some of the people buying fans are using their air-conditioners less. Some buy them to help circulate the air-conditioning better [thus allowing them to use less energy and still keep the room cool]."

Last year's *Chain Store Age*/Leo Shapiro consumer study concurs with retailers' observations that portable fans are a poor man's air-conditioning. Of all the housewares items tracked in the survey, fans drew the highest percentage of low-income consumers, those reporting family incomes of $20,000 or less.

As might be expected, these consumers are very price-conscious. The majority (51.4%) expect to spend between $19 and $30, while another 11.3% anticipate lower price tags.

Retailers carry from five to 10 sku's (the majority of styles in oscillating), with prices ranging from a promotional $9.99 for a small oscillating fan to $50 at full retail for a box unit. The most popular item by far is a 12-in. oscillating fan, retailing for $25-$30.

The 'poor man's air-conditioning' draws the largest percentage of low-income shoppers

Unlike other small electrics, brand names play only a minor role in the buying decision. Hartford, Conn.-based Sage-Allen small electrics buyer Jerry Bilak finds that consumers shop size and price first. Then, if there is a choice between a recognizable brand name and a lesser-known one in the size and price category the consumer wants, he chooses the fan with the more popular name.

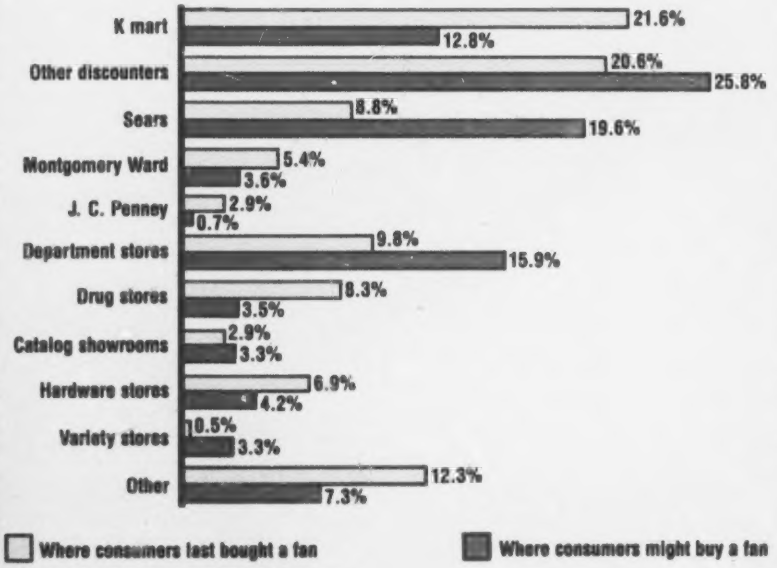
Because price is such a major consideration in the purchase of fans, it comes as no surprise that most consumers polled say they will shop the mass merchants. Discounters attract the larger market, with approximately 2 out of every 5 shoppers mentioning this type of retailer. K mart comprises 12.8% of this group.

The Big 3 catalog chains contribute 23.9% of the total. Sears alone accounts for 1 in 5 consumers (19.6%)—half of the discounters' prospective market.

When it boils down to where consumers actually bought fans, the survey shows discounters remained the first choice, representing 42.2% of those polled. The Big 3, however, fell off dramatically to 17.2%, with Sears dropping to 8.8% of that group; perhaps consumers were disappointed in prices at Sears and turned elsewhere to buy.

Additionally, the omission of this classification from Sears' 1984 Spring/Summer catalog could further erode the retailer's market share. Nonetheless, a company spokesman emphasizes that the chain still carries portable fans in its retail stores and will include the category in its special catalogs. ☐

Discounters capture the lion's share of portable fan sales



Source: *Chain Store Age*/Leo Shapiro & Associates

Marching to the trendy sheet beat

The designer battle for consumers' bedroom dollars is heating up. Last fall Ralph Lauren launched a line of pricey sheets to join such classy rivals as Perry Ellis, Yves Saint Laurent, Laura Ashley and Diana Vreeland in a drive to convince shoppers that trendy fashions don't have to be limited to their waking hours.

And more is on the way. Liz Claiborne is expected to debut a line of bedroom linens under the auspices of Burlington Industries, and specialty store impresario Terence Conran will unveil a sheet line bearing his name this month.

The success of the designer sheets varies, but in Bloomingdale's alone, the Ralph Lauren line—which includes everything from sheets to linen shower curtains—has logged more than $1 million in sales from October through January, a store insider says.

Industry observers and buyers say the sheet style—not the designer name—is most important to shoppers.

"People are more interested in the look than the name," says a buyer for a New England department store. "The person comes in to match his or her bedroom, not to look for a particular designer."

"It's always the pattern first," adds an industry insider. "If it's a poor design, it's just not going to sell no matter whose name is on it."

Price, at least in Lauren's case, hasn't been a factor. At Bloomingdale's New York City flagship store, for example, the best-selling Lauren sheet—a 200-thread Oxford cloth design—sells for $55 (queen-size) compared with $39 for the low-end sheet in the line.

Lauren's collection, in fact, is the most expensive among the designer lines at Bloomingdale's. A 200-thread queen-size Laura Ashley sheet is priced at $35; the 200-thread Diana Vreeland sheet carries the same price tag.

But will the designer sheet rage last? "It's going to follow the trend in women's apparel, just like home furnishings always has," says one observer. "When designer names cool off, designer sheets will too." ☐

Ralph Lauren

***What's in a name?** Buyers think looks are more important to shoppers.*

Licensing by the numbers

Licensed product retail sales jumped 29.6% in 1983, from $20.6 billion in 1982 to $26.7 billion, according to an annual survey conducted by *The Licensing Letter*, a Scottsdale, Ariz.-based newsletter.

Apparel and accessories continued their domination of the industry with a 38% market share, followed by toys and games with a 20% share. Gifts and novelties recorded the largest year-to-year increase, from 10% of the market in 1982 to 13% last year.

Cabbage Patch Kids, Care Bears and fashion designer merchandise were the most popular licenses in 1983, according to *The Licensing Letter* publisher Arnold Bolka, who predicts that fashion designers—as well as corporate trademarks—will record strong sales results in 1984.

Last year's retail license sales were four times more than the $6.5 billion the industry recorded in 1978. The six-year ('78-'83) compound growth rate was 32.7%. Bolka predicts 1984 license product sales will jump 30% to about $35 billion.

Sales breakdown

	% of license market		
Product category	**1982**	**1983**	**% change**
Apparel & accessories	38.0	38.0	N.C.
Toys & games	19.0	20.0	+ 5.3
Publishing/ stationery	14.0	15.0	+ 7.1
Gifts/novelties	10.0	13.0	+30.0
Home furnishings/ housewares	9.0	8.0	−11.1
Sporting goods	5.0	3.0	−40.0
Miscellaneous	5.0	3.0	−40.0

N.C.—No change. Source: *The Licensing Letter*

SEWING

Who will attract new home sewers?

Younger shoppers appear to be rapidly losing interest in home sewing.

The reservoir of home sewers hasn't totally dried up, but several signals are flashing warnings of a potential drought. While the nation's sewing retailers must react to the warnings, they are not alone in the struggle to perk up industry performance. Manufacturers of patterns, notions and fabrics also need to be more responsive, taking an active role in attracting new home sewers and achieving a higher, positive visibility for them.

The fact is that the industry, as well as the sewing consumer, is changing. It is no longer a Mom and Pop business. The industry shakeout continues—Chicago department store chain Weiboldt's is a recent victim—with the business going more and more to the specialty fabric chains. "While the size of the pie may have shrunk, the number of [retail] participants has shrunk even more, so that the survivors are able to carve out larger pieces," says Don Williams, analyst for Boettcher & Co. "The makeup of the retail fabric industry has undergone a major structural change, with a small number of established and well-financed chains now dominant."

Michael Feuer, vp/marketing for Cleveland-based Fabri-Centers, predicts that specialty chains will control up to 75% of the market in another five years. In last year's *Chain Store Age*/Leo Shapiro & Associates consumer buying intentions study, 62.2% of those polled who said they might buy a pattern in '84 targeted specialty stores as the places they chose to shop.

The shrinking market: But what good will controlling the market do if that market remains stagnant or even shrinks? The sewing industry has been essentially flat for two years, hovering around the $4 billion mark in retail sales, and 1983 did nothing to change that. In fact, industry sources say that pattern sales fell 16% in '83 to $134.3 million.

Part of the explanation for this loss is that consumers who do sew have slowed their spending pace. Ten years ago, the average heavy home sewer bought 16 patterns each year. Today, this number has dwindled to about 10. Of the approximately 40 million consumers who do sew, 30% are classified as heavy sewers, accounting for 70% of all pattern sales, according to a recent study commissioned by Simplicity Pattern Company.

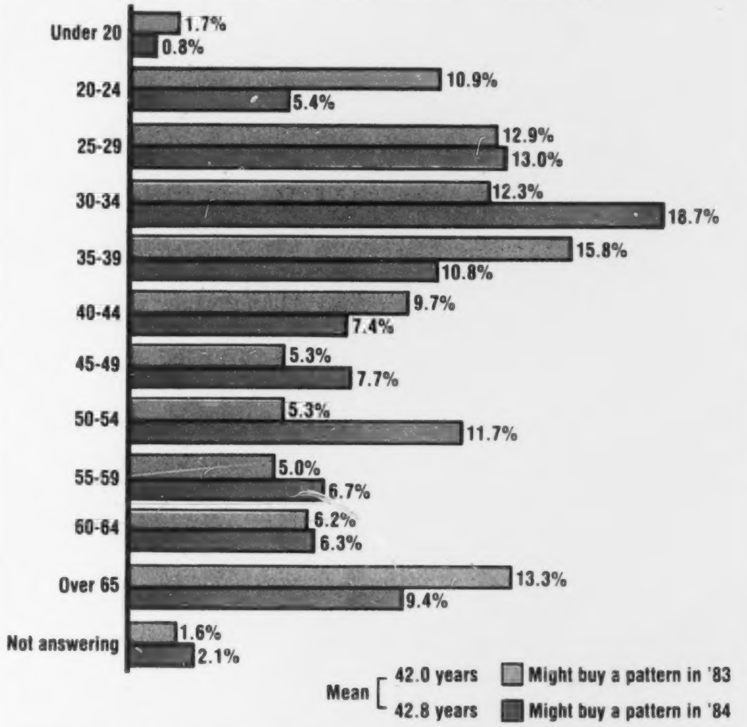
Both manufacturers and retailers must be more responsive to shoppers in a shrinking market

Another factor is that the home sewer is aging. The *CSA*/Shapiro study shows 18.7% of consumers age 30-34 said they might buy a pattern in '84. The second largest group of consumers (11.6%) who might buy are between 50 and 54.

But younger shoppers appear to be rapidly losing interest. Less than 1% of those under 20 and 5.4% between 20 and 24 said they might buy a pattern this year—half as many as said they might buy in the 1982 study. This drop underscores the burning need of the industry to interest new sewers.

Consumers need to be given more positive reasons to sew. The opportunity to save up to 70% over the cost of ready-to-wear isn't enough by itself, and the rise of off-price retailers—making brand names and

Pool of youthful home sewers is declining



Source: *Chain Store Age*/Leo Shapiro & Associates

designer fashions widely available at lower prices—reduces the economic advantages for sewing.

Time-poor consumers often have little opportunity to sew, even though pattern companies emphasize "overnight" and "easy" fashions that require a minimum of cutting, fitting and sewing.

The star connection: Sewing must shed its "homespun" image, stressing fashion instead. The pattern companies are leading the way, with celebrity spokesmen touting new designs and well-known Seventh Avenue and foreign designers providing their latest looks. McCall's has recently signed Hollywood designer Nolan Miller, who creates many of the fashions worn on the TV show "Dynasty." In addition, Joan Collins and Linda Evans have been signed to model the new fashions in McCall's catalog—although they won't be featured in poses recreating their adversary relationship on the TV show. Says a company spokesman, "We signed the designer, not the show."

The designer business is becoming an increasingly important part of the total business despite the fact that these patterns are generally higher-priced (some Vogue designer patterns retail for up to $8).

In keeping with its upscale image, Vogue has cosponsored fashion shows with Intergold, tying in award-winning 14 karat gold jewelry with Vogue pattern fashions. While jewelry has an aura of glamour and fashion, sewing doesn't enjoy the same positive image, partially because of a lack of positive marketing about the value (both financial and personal) of sewing.

Educating the consumer: Consumer education should help change this image, starting with home economics courses taught in the majority of the nation's secondary schools. But home economics in college isn't as strong as it once was. "Women are going into nontraditional fields which weren't open to them years ago," says a spokesman for the National Center for Research in Vocational Education. Interest in sewing should be firmly entrenched while students are in high school since there may not be an opportunity later. Most retailers participate in school programs with coupons and discounts. "We offer students a 10% discount on fabric and notions for all school-related projects," says a spokesman for Oklahoma City-based T.G. & Y. "It's a program we've been running since time immemorial."

But more organized work is called for. One solution being tossed around is a council—similar in action to the orange juice or milk council—that promotes the industry without mentioning any specific brands. Sal Alcina, president of the American Home Sewing Association, says, "We share the same frustration of attempting to build careers or to run our own businesses in an industry with a declining trend." A council, with every member contributing a small percentage of its profits, could indeed make a major impact on consumers. "It's time to think about and plan for a major consumer promotion," adds Alcina.

Most retailers agree, adding that 1984 may see the first signs of activity of such a council. ☐

Simplicity offers complex choices

Rick Barton's office has two items in it that sum up his job at Simplicity Patterns—a packed suitcase and a 4-ft.-tall soft sculpture Herself the Elf doll.

"I've been on the road almost continuously since I got here last fall," notes Barton, sales vp for the pattern company. "The doll is made from a Simplicity pattern and is part of a future promotion for retailers."

Barton's whirlwind travel schedule—he has been dashing about talking to retailers about the pattern company's new programs—is one indication of Simplicity's renewed activity in the marketplace. Not content to be the biggest frog in a shrinking pond, the company, which itself has reported declining

Healthy outlook for moisturizers

Whether it's the $30-a-jar exotic name brand or the $4 special, facial moisturizers represent steady business for retailers.

"The cosmetic industry has created a demand for them," explains the buyer for a 15-unit Midwestern department store. Everywhere consumers turn, someone is trying to sell them a moisturizer. At the stores, they're overwhelmed by models offering free samples. At home, their mailboxes are flooded with cosmetics mailers, and television spots shout out brand name treatments.

It's no small wonder that last year's *Chain Store Age*/Leo Shapiro & Associates consumer study implies that the 1984 market for this product could double. For every shopper planning to buy moisturizers this year, nearly two have bought them within the past year.

An East Coast discounter with a sales volume of more than $200 million says, "It's definitely a branded business, strongly dependent on advertisements." However, like many other merchants, he concedes there may be no real difference in quality between brands. Still, he notes that consumers are hooked on their favorites.

The *CSA*/Shapiro study confirms this demand for name brand products. More than 3 out of every 5 shoppers (63.2%) preferred the nationally advertised labels; only 1 in 5 chose store brands. The top three brands, in order of preference, were Oil of Olay, Revlon and Estee Lauder.

Facial moisturizers can be divided into two groups appealing to two types of customers. An East Coast discounter with approximately 50 stores explains, "The ones sold in H&BA—Oil of Olay and Ponds—are sold on price. The franchise items, such as Revlon, need salesmen to move them." Danners H&BA merchandise manager Bruce Sherwood adds, "One appeals to the masses and the other one to a more sophisticated group."

*A CSA **consumer study** predicts the moisturizer market could double in '84.*

Drug stores claim highest market share

Retailers	Shoppers who plan to shop facial moisturizers from:	Shoppers who last bought facial moisturizers from:
Drug stores	27.8%	35.3%
Department stores	20.5	11.8
Mail order	19.7	25.9
Discounters	14.7	7.1
Big 3 catalog chains	0.9	3.5
Other	16.4	16.4

Source: *Chain Store Age*/Leo Shapiro & Associates

The survey also indicates that franchise products are the larger of the two markets, despite the generally higher prices of these goods.

Two out of every 3 shoppers plan to look for these items in outlets that carry predominantly franchise moisturizers—drug stores, department stores and in mail-order catalogs. Moreover, nearly 3 out of 4 consumers bought moisturizers from one of these retailers the last time they made a purchase.

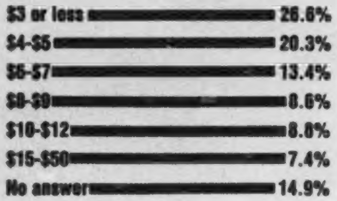
Discounters, on the other hand, known for their strong self-service health and beauty aids departments, capture only 14.7% of the prospective market. This figure drops to less than half when it comes to where customers last made moisturizer purchases.

Although shoppers are buying the more expensive lines, the majority appear to put a ceiling on how much they will pay per jar, bottle or tube. Nearly 78% of those polled expect to pay less than $12, with 51.1% of that group anticipating price tags between $4 and $12.

Retailers agree with these findings. They say the majority of customers are not spending $15 or more for moisturizers. Some prefer smaller bottles of the more expensive and prestigious names while others buy lower-priced labels.

With this price sensitivity in mind, it comes as no surprise that moisturizer consumers report one of the greatest percentages of low family incomes of all the products tracked in the *CSA*/Shapiro survey. Nearly 42% have annual incomes of $20,000 or less. And moisturizer

Shoppers set $12 price limit



Source: *Chain Store Age*/Leo Shapiro & Associates

shoppers have the highest percentage of retired breadwinners compared to buyers of the other products sampled. ☐

Moisturizers: not for women only

One of the greatest untapped markets in the cosmetics and fragrance industry today is men's moisturizers. Until recently, the category had a Catch-22: Few men would admit to needing a facial moisturizer, and few manufacturers offered the product in their men's lines.

But in the past few years the products have taken off. Retailers are bringing in new skin care treatments as well as expanding successful fragrance lines with the addition of scented moisturizers. At a Bloomingdale's Clinique (an Estee Lauder subsidiary) counter, one of the first companies to devote an entire line of skin care products to men, a rep notes, "Our volume [for men's] has been doubling yearly." When another Estee Lauder rep at the nearby Aramis/Devin counter was asked about moisturizer sales, he said, "I just sold three 3-oz. bottles of Aramis RNA at $25 each in a half-hour."

One explanation for the sudden growth of the category is that the male of the 1980's is not as hung up on his masculinity as he was a decade ago, say both retailers and manufacturers. "A lot of men wouldn't buy any moisturizers. They felt it was a women's product," explains one East Coast buyer of a 50-store discount chain.

At The Los Angeles-based Broadway, buyer Michelle Monteath agrees. However, she adds, "The business is changing. The wife or girlfriend may make the initial purchase, but the repeat business comes from men."

Still, the category has a long way to go before it is totally accepted by the male population. "It's an educational process," says Leah Seidenfeld, group product manager for Jovan.

Like others in the industry, Seidenfeld notes that a strong consumer advertising campaign is a necessity for continued growth of the men's market. Another industry insider suggests, "It may take a 'Mr. T' to stand up for men's skin treatments before they are ever well received." ☐

Hair Scents

The profit potential of this revolutionary new product just makes sense.

Perfumed hair accessories for the teen and youth market

Hair Scents is a sensational new product from Tip Top that capitalizes on a young girl's interest in perfumes and hair accessories. The only perfumed hair accessories on the market, Hair Scents is available in three fragrances: oriental, spice and floral.

Brushes, combs, barrettes, side combs and bandeaux, the new Hair Scents line makes hair smell great all day long. To find out more about Hair Scents, as well as Tip Top's new product line and merchandising plan, contact your Tip Top representative today, or call Tip Top Corporation toll free: 1-800-228-9370.

TipTop

Hair Care Is Getting Into Tip Top Shape

Big 3 increasing catalog sales efforts

Growing pressure on consumers' time is strengthening sales through the Sears, Penney and Ward catalogs.

"Catalog shopping is becoming increasingly important," says a spokesman for J. C. Penney. During the third quarter of 1983, catalog sales jumped 11%. "This is the first double-digit gain in quite a while," he adds.

In an effort to fuel the resurgence in catalog sales, Penney is using promotional mailings aimed at the store's credit card holders who are not current catalog shoppers. Offering account holders the chance to "liberate" themselves, the promotional piece emphasizes the $2 price of the catalog, which includes a $2 merchandise certificate good toward the first catalog purchase the shopper makes.

A Liberated Shopper

Shop when it suits you — no more conforming to "fixed" store hours!

Shop by phone without leaving home — no more racing to the shopping center with little time to spare!

Shop by (and for) yourself — no more coping with the kids when you're

While Penney is keeping the price of its Spring and Summer 1984 catalog at $2, Sears has increased its catalog price to $4 (which also includes a $4 merchandise certificate good for both catalog and retail purchases over $20).

Ed Bjorncrantz, manager of catalog production and distribution at Sears, says the nation's largest retailer expects to sell more than 1.8 million Spring/Summer catalogs despite the price increase.

For the first time in many years, Sears will be selling the catalogs at the catalog order desks and at checkouts in its stores. The emphasis on catalog sales should pay strong dividends for the chain because customers with a catalog at home buy "three times more from Sears—at both retail and catalog—than do customers without a catalog," notes Bjorncrantz.

Montgomery Ward is also "very pleased with '83 sales," according to a chain spokesman. Double-digit sales gains were posted for the second half of 1983. Although no specific plans were released, the spokesman says the company is exploring a variety of marketing opportunities for the catalog.

Women make strides in retailing

Women are becoming much more visible at the top levels of department store retailing, according to a 1983 study conducted by Thorndike Deland Associates, a retail executive research firm.

Phyllis Tama, an executive recruiter with the firm and former vp of Associated Merchandising Corp. and the May Company, surveyed the number of women holding president, gmm and dmm positions at the seven largest companies (which include 56 separate divisions). In 1973, none had a woman president; by 1983 there were seven female presidents in place. The number of women at the gmm level increased from 1 to 23 during the 10-year period, and the number of dmms jumped from 38 to 263.

Making room at the top
(Number of women in key posts at 56 department stores)

Title	Year	Total	Women
President	1973	56	0
	1983	56	7
General merchandise manager	1973	91	1
	1983	170	23
Divisional merchandise manager	1973	433	38
	1983	705	263

Source: Thorndike Deland Associates

"While women haven't made it to the top in numbers equal to men, the 10-year trend is clear," says Tama. Indeed, just in the last few months, a number of women have been named presidents: Dawn Mello at Bergdorf-Goodman, Gloria Johnson at Hutzler's, Sally Frame at Ann Taylor. (See related stories in the November 1983 and January 1984 issues of *CSA*.) Tama predicts that women in retailing will achieve parity with men by the end of the decade.

Macy's Midwest division turns profit

Most people look to R. H. Macy's merchandising skills for sales and profit performances, which have led the department store industry for the last five years.

But Macy also knows how to produce profit from operational efficiencies, as can be demonstrated in its Midwest division. For the first time in several years, the Kansas City and Toledo-based division produced a profit for the fiscal year ended July 30, 1983. Sales were a *CSA*-estimated $215 million, up 7.5%.

The profit came after Macy combined the organizations of the stores located in the two cities and shifted many buying responsibilities to Kansas City.

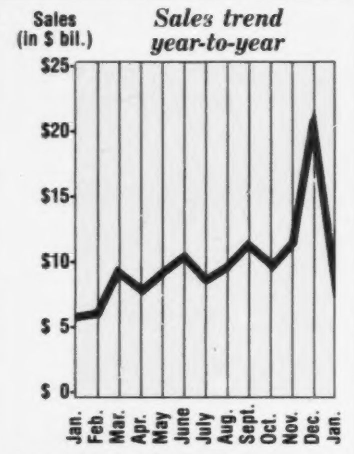
Now the chain is moving to further plug a red ink source by closing the downtown Toledo store. The 66-year-old unit closed at the end of January. Previously Macy had consolidated 10 floors of merchandise into four and had ceased using the premises as a distribution center. Instead, direct shipments go to Toledo area stores from Kansas City.

The Toledo units had been known as LaSalle's prior to 1981. This is the fourth downtown department store to close in 11 years. Most recently Lion's, a division of Mercantile Stores, shuttered its store in 1980.

January continues torrid sales pace

Record cold weather across the nation failed to put a damper on consumer spending in January as GMers reported strong sales results. Sales for the month were up 16.7% for the 25 chains tracked by *Chain Store Age* and 11.6% for the 1983 fiscal year.

The Big 3 chains all reported robust sales. J. C. Penney continued to reap the benefits of its soft lines emphasis; sales, not including discontinued lines such as major appliances and hardware, were up 18.9%. Total same-store sales jumped a whopping 15.5%, with men's and women's apparel recording the strongest gains.



Composite of sales trends comparing monthly change vs. prior year for the 25 retail companies tracked by *CSA*.

Sears, not including results from its Canadian Simpson-Sears subsidiary, reported a 9.1% sales increase, while Montgomery Ward recorded a 12.5% hike.

But K mart, the nation's largest discounter, didn't fare as well. Sales were up only 5.8%, reaching just over $1 billion (same-store volume jumped a meager 4.1%). The chain's January sales, in fact, were up only 8.3% over the same period in 1982. K mart officials blamed a dearth of seasonal markdown merchandise for the weak performance. "Strong sales in December left only minimal supplies of seasonal goods for January clearances," said K mart chairman Bernard Fauber.

But, notes economist Jay Levine of K mart's recent results, "They have not had the upsurge in all of '83 of the rest of the industry."

Other discounters fared better. St. Ann, Mo.-based Venture reported a 8.5% same-store hike, while Wal-Mart, the nation's second-largest discounter, logged a 15% same-store sales increase.

F. W. Woolworth also reported strong sales as the venerable chain continued to show strength in all retailing divisions. The company's domestic operations were up 17.9%. The J. Brannam and Richman Bros. apparel subsidiaries reported same-store increases topping 20%.

Among specialty chains, The Gap recorded a 25% sales increase, from $24.3 million in January 1983 to $30.4 million in January 1984.

January sales strong despite cold snap

		January sales		Stores		12-mo. sales		
Major chains	% change	1984	1983	1984	1983	1984	1983	% change
Sears[1,6]	+ 26.6	1,596,201	1,260,914	892	829	24,270,355	20,178,144	+ 20.3
Penney	+ 16.5	663,000	569,000	2,015	2,046	11,033,000	10,364,000	+ 6.5
Ward[1]	+ 12.5	377,878	336,037	370	386	6,058,883	5,618,518	+ 7.8
Federated[3]	+ 12.6	416,300	369,600	428	390	8,502,700	7,500,000	+ 13.4
Dayton Hudson	+ 19.9	399,709	333,506	1,082	981	6,800,575	5,531,389	+ 23.0
May Dept. Stores	+ 10.5	225,300	203,900	1,584	1,468	4,211,600	3,653,900	+ 15.3
R. H. Macy	+ 11.9	190,300	170,000	93	92	3,826,900	3,219,400	+ 18.9
Allied Stores	+ 8.4	188,700	174,000	570	533	3,676,300	3,215,600	+ 14.3
Carter Hawley Hale	+ 23.2	233,300	189,400	1,085	1,026	3,663,400	3,054,800	+ 19.9
Associated Dry Goods	+ 23.6	197,100	159,500	318	247	3,690,000	3,089,000	+ 19.5
Mercantile	+ 21.0	104,416	86,328	86	83	1,625,170	1,428,385	+ 13.8
K mart	+ 5.8	1,062,301	1,004,423	2,162	2,117	18,598,330	16,772,166	+ 10.9
Woolworth	+ 10.8	314,135	283,451	N/A	N/A	5,438,895	5,110,578	+ 6.4
Wal-Mart	+ 40.3	331,000	236,000	642	551	4,667,000	3,376,000	+ 38.2
Household Merch.[2,3,5,7]	− 1.0	201,322	203,155	3,654	3,756	2,871,931	2,952,455	− 2.7
Zayre[4]	+ 24.8	120,475	96,557	749	617	2,613,500	2,139,616	+ 22.1
Bradlees	+ 31.1	59,800	45,600	127	106	1,182,800	871,600	+ 35.7
Murphy	+ 10.1	49,799	45,236	403	422	872,151	822,282	+ 6.1
Rose's	+ 27.3	39,258	30,842	191	238	829,316	661,903	+ 25.3
Heck's	+ 11.0	23,200	20,900	122	119	458,900	420,200	+ 9.2
Jamesway	+ 25.1	17,563	14,041	78	68	416,773	332,513	+ 25.3
Melville	+ 17.8	218,489	185,549	5,733	5,478	4,124,858	3,404,450	+ 21.2
Tandy	+ 11.8	224.533	200,785	N/A	N/A	2,658,269	2,304,858	+ 15.3
Edison Bros.	+ 15.8	64,643	55,799	2,166	2,129	1,086,321	971,699	+ 11.8
The Gap	+ 25.0	30,400	24,329	568	545	481,400	444,929	+ 8.0
Totals & Averages	**+ 16.7**	**7,349,122**	**6,298,852**	—	—	**14,950,670**	**13,401,048**	**+ 11.6**

*000 omitted. N.C. = no change. N/A = not available.

[1] Store number for full-line outlets only. [2] Includes 2,802 franchise stores (vs. 2,824 a year ago). [3] Includes T.G. & Y. sales. [4] Includes 275 Zayre stores (vs. 264 a year ago), 356 Hit or Miss stores (vs. 267) and 118 T. J. Maxx stores (vs. 86). [5] Excludes supermarket sales. [6] Includes results from Simpson-Sears. [7] Estimate.

Profits roll in at Sears and Ward

As expected, fiscal year 1983's fourth quarter brought good news to Big 3 retailers Montgomery Ward and Sears.

For the first time since 1979, Ward reported an annual profit. The Chicago-based chain earned $40 million, vs. a $93 million loss in 1982. In the fourth quarter, profits more than tripled, from $16 million in 1982 to $53 million.

Meanwhile, cross-town rival Sears reported a 43.5% earnings increase for its United States merchandising operations. Profits rose from $455.9 million in 1982 to $654.3 million in 1983. The company logged a 30.6% jump in fourth-quarter earnings for its domestic merchandising operations, from $311.6 million to $406.8 million in 1983.

Gourmet housewares: exclusive consumer poll

4/7/84
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CSA special report: Photo buyers survey

Chain Store Age

GENERAL MERCHANDISE EDITION April 1984

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ISSUE

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HOUSEWARES

***Shoppers show** a decided preference for stainless steel cookware, followed by copper and SilverStone.*

Gourmet lifestyle has sales cooking

When the corner deli sells 13 varieties of mustard, when fashion designers attach their names to dinnerware and when cookware is purchased because of how it looks as well as cooks, then Webster's had better get ready to redefine the word "gourmet."

"Right now, the gourmet food category is probably the second-fastest-growing area, after ethnic foods," says Allen Freed, president of Foodworks Inc., a product development company. "The people who are spending $4 for a bottle of barbecue sauce are the same upscale shoppers who buy $40 polo shirts. It's simply a different form of conspicuous consumption."

Freed adds that some of his clients manufacture both specialty foods and specialty cookware.

The urbanization of gourmet foods and housewares is currently developing. A sizable segment of the population is buying gourmet foods on a regular basis and citing an interest in buying gourmet cookware, according to a poll by *Chain Store Age*/Leo Shapiro & Associates conducted in February. At the same time, fewer consumers are giving their kitchens high ratings for being well equipped to prepare gourmet foods, indicating a need to buy new appliances and utensils.

This trend bodes well for savvy retailers who can make simmering sales in gourmet lines really boil, but in spite of the professed interest, the consumer is very uneducated about the gourmet product field. Few polled could name brands for either food stuffs or cookware. Retailers most likely to capture this business (now predominantly a specialty/department store stronghold) will be the ones who offer the consumer the broadest selection as well as product education.

According to the study, about 8%-12% of American families eat gourmet foods at home on a regular basis. This number jumps to 18% among respondents under age 30. This segment (59% of the under-30 group polled are between 25 and 30) is the prime prospect for gourmet products. Surprisingly, men are slightly more inclined to use gourmet foods regularly at home than

Young consumers are prime targets for gourmet cookware

	Bought gourmet foods	Age			Income		
		Under 30	30-49	Over 50	Under $20,000	$20,000-29,000	Over $30,000
Definitely interested in gourmet cookware	9.6%	6.6%	6.0	2.2%	2.9%	4.8%	7.0%
Maybe interested	24.1	20.7	13.4	8.5	6.9	20.9	13.7
Definitely not interested	66.3	69.4	80.6	87.6	88.7	74.3	76.7
Not answering	0.0	3.3	0.0	1.7	1.4	0.0	2.5

Source: *Chain Store Age*/Leo Shapiro & Associates

This section was written by Christina Gruber.

women, probably because of the ease of preparation for many items.

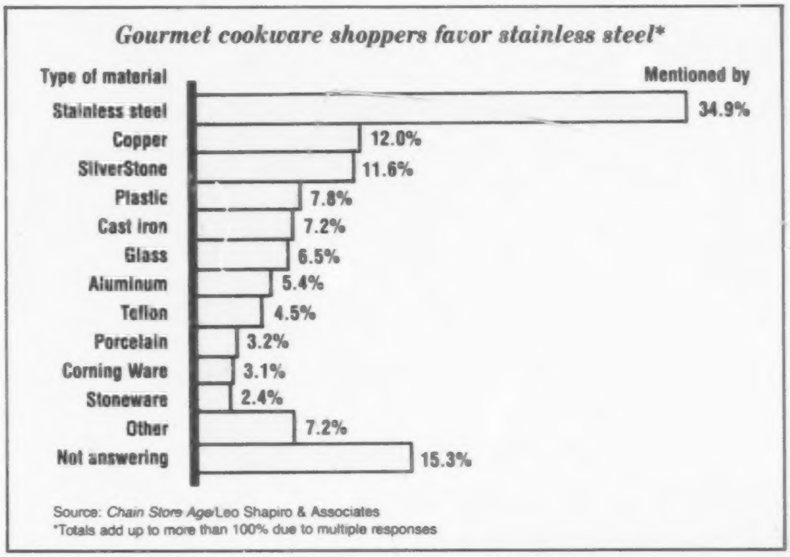
There seems to be a real subculture brewing in American eating habits. The old concept of the family meal is crumbling due to the demands of today's mobile society and the number of women employed outside the home (about 50%), so many restaurants are serving "home-cooked" meals. Americans are going out for their (to steal a line from a recent McDonald's ad) "meat and potatoes" meals. A restaurant industry analyst notes that the top 100 restaurant chains increased sales 4%-5% in '83.

Eating at home is becoming more of a festive occasion, which means more attention is being paid to how the food is prepared and served. In a 1979 Shapiro survey, consumers were asked to rate how well their kitchens were equipped to prepare gourmet dishes. Almost half (48%) responded excellent/good. As consumer awareness of gourmet foods and cookware increases, however, this rating decreases. Of consumers asked to rate their kitchens in this year's survey, only 36.4% responded excellent/good.

Gourmet-ing of popcorn: When asked to name some gourmet foods they have purchased, consumers most often mentioned cheese. Among other products frequently mentioned were caviar, pâté and seafood. But an amazing number of other responses were given, from popcorn to ice cream to seaweed, indicating the popularization of the term "gourmet" to include some form of food from every category.

However, today's consumer is not familiar with brand names. For example, when asked to name specific gourmet food brands, more shoppers mentioned Hickory Farms, Swift and Stouffer than Michel Guerard or Godiva. A whopping 87.2% of those polled were unable to answer the question at all.

Naturally, the majority of consumers who bought gourmet foods (63.4%) purchased them at grocery stores, but 16.2% chose specialty shops, and an additional 5.3% targeted department stores. Restaurants regard this trend to purchase gourmet take-out foods as a threat, says a restaurant industry source: "A meal bought to eat at home is one less meal eaten in a restaurant."



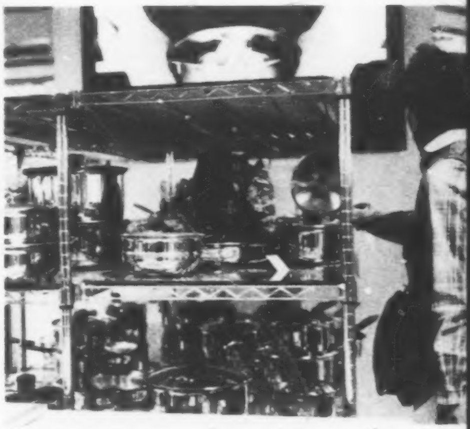
*Gourmet cookware shoppers favor stainless steel**

Source: *Chain Store Age*/Leo Shapiro & Associates
*Totals add up to more than 100% due to multiple responses

Consumers are unsure of prices

Price expect to pay	Cutlery	Ice cream maker	Espresso maker
$10 and under	6.8%	1.0%	0.2%
$11-$15.99	5.8	3.7	2.2
$16-$20.99	6.3	4.3	5.9
$21-$25.99	4.0	9.2	8.1
$26-$30.99	6.6	5.7	4.9
$31-$35.99	2.3	3.7	3.5
$36-$49.99	3.3	5.6	5.8
$50-$60.99	8.2	4.7	4.1
$61-$80.99	3.0	0.6	0.3
$81-$124.99	4.0	0.4	1.5
$125 and over	2.4	0.6	0.7
Not answering	47.3	60.5	62.8

Source: *Chain Store Age*/Leo Shapiro & Associates



Consumers surveyed *expect to spend about $120 on cookware.*

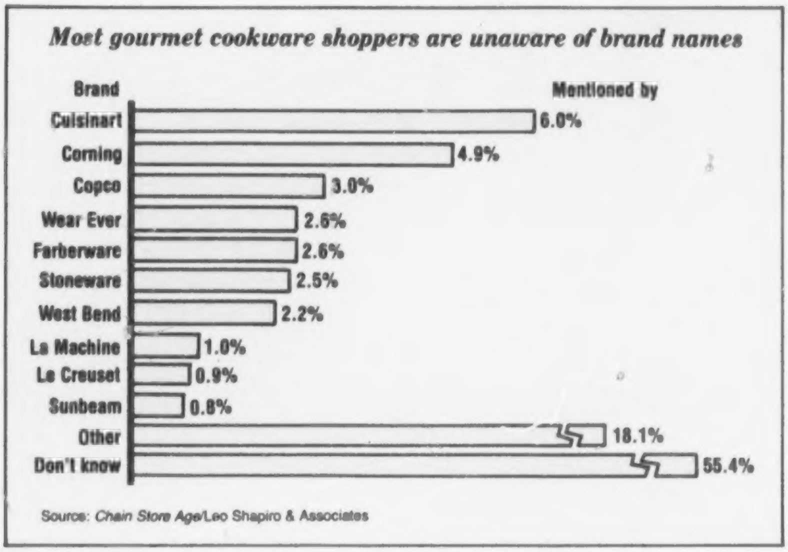
But gourmet foods are highly vulnerable to economic pressures. Seven out of 10 people said they would cut gourmet foods out of their budgets if they decided to curb their spending. Of that number, 42.8% would stop buying all gourmet food items. While 77.7% of consumers under 30 would curb gourmet food purchases if they curbed spending, only 26.7% would curtail buying all the products they currently purchase.

Retailers most likely to capture this trade will offer broad selection and product education

One-fourth of consumers polled spent less than $6 per month on gourmet foods, with 46.5% buying something at least once a month. Just over half of those polled under 30 (57%) shop for these products on a monthly basis.

Gourmet cookware: About 17.6% of consumers polled (27.3% of those under 30) have some interest in gourmet cookware, but only a quarter are aware of the specialty cooking products on the market. Product awareness increases to 42.7% among people who buy gourmet foods.

But shoppers are hesitant about brands, with 55.4% unable to name



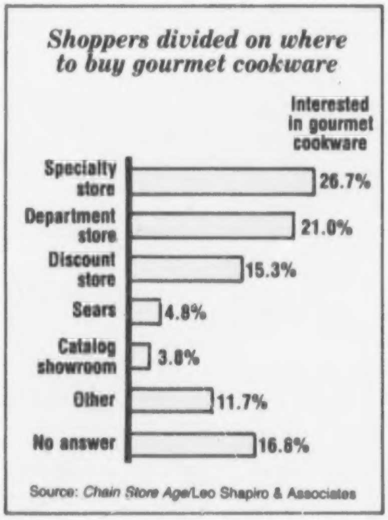
Most gourmet cookware shoppers are unaware of brand names

Source: *Chain Store Age*/Leo Shapiro & Associates

a cookware brand at all. Those mentioned include Cuisinart, Corning, Copco, WearEver, Farberware and Le Creuset. Shoppers under 30 seem to have the best knowledge of brand names, but awareness decreases with age. Seven out of 10 shoppers over 50 were unable to respond to the brand name question.

Shoppers know, however, what material they want their cookware made of: 34.9% chose stainless steel, 12% copper and 11.6% SilverStone. Cast iron was mentioned by 7.2%. Currently, according to industry sources, the fastest-growing cookware sold is made of stainless steel, although both copper and aluminum are better heat conductors. But copper tends to discolor and needs periodic polishing, and certain egg-based recipes cooked in aluminum tend to discolor.

When asked for an example of gourmet cookware, woks were mentioned by the largest number of consumers interested in specialty cookware (31.8%), but 14.9% of those under 30 described gourmet cookware as "out of the ordinary, overpriced cooking vessels for fancy food." The majority of all shoppers polled (51.4%), however, could not answer the question, and there was great disagreement about the number of pieces of cookware necessary to complete a kitchen. While 13.6% of interested shoppers said one piece was enough, 11.6% said four pieces was the minimum. Two out of 10 consumers under 30 said five pieces were enough. Men favored a larger selection, with 16.2% choosing six pieces, while 15.6% of women said just one.



Shoppers divided on where to buy gourmet cookware

Source: *Chain Store Age*/Leo Shapiro & Associates

Shoppers under 30 seem to have the broadest knowledge of brand names

Specialty and department stores get the lion's share of the business among consumers polled, but 15.3% of interested shoppers said they would buy at discount stores. This could mean good news for upscale discounters toying with the idea of bringing in some gourmet lines (Bradlees and Caldor are already moving into this area).

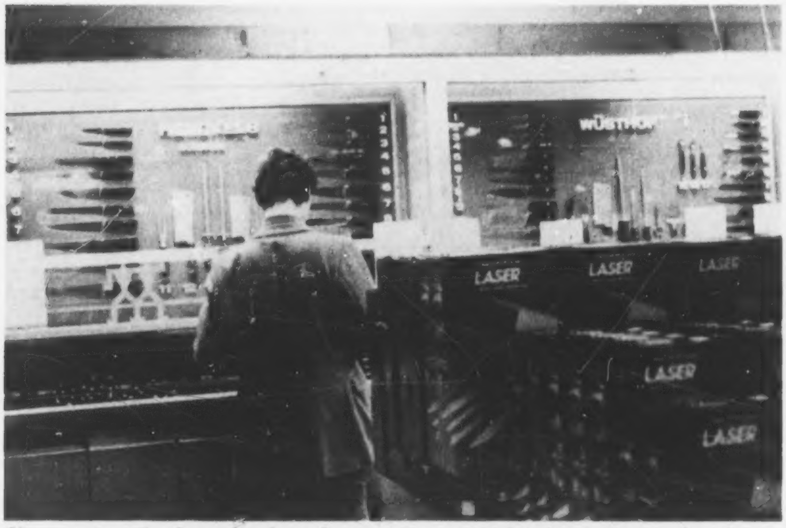
Consumers surveyed expected to spend an average of $122 on cookware. Shoppers under 30 showed less inclination to shop discounters—only 7.8% mentioned them—but they also expected to pay more for gourmet cookware, averaging $160.

With 8%-12% of Americans eating and cooking gourmet, it's a market that even basic retailers can't ignore. Department stores could lose out on sales if they leave the business to specialists. But the trend bodes well now mainly for specialists like Crate and Barrel and The Pottery Barn, which already cater to this upwardly mobile class of shoppers. The people powering this move—mostly the young with good incomes—are rather insulated from economic variables, indicating a stable growth potential.

Retailers must work hard to educate consumers. In-store demonstrations are important as packaging remains insufficient to teach shoppers about a product. Nevertheless, even with foods, packaging is important. Foodworks' Freed estimates that fancy labels and bottles can add up to 40% to the actual production costs of some food items.

Another potential traffic and sales builder is to closely merchandise housewares and foods, but many department stores separate these areas. With 42.7% of consumers who buy gourmet foods aware of gourmet cookware, and since both categories are highly impulse-oriented, cross-merchandising could increase sales.

R. H. Macy is a prime example of a retailer that effectively groups the two categories in its "Cellar." Davison's, Macy's Atlanta division, opened its version of The Cellar in its flagship store last fall in place of the old budget store. The Krups and Cuisinart lines have been expanded, as have better lines in glassware and copper, targeted to appeal to the upscale shopper. A Davison's spokesman notes the response so far has been "overwhelming." □



Young, upscale shoppers show the most interest in kitchen knives and cutlery.

Cutlery edges out gourmet machines

When consumers make up shopping lists for housewares needs, ice cream makers and espresso/cappuccino makers are very low on the list. Kitchen knives and cutlery fare better, according to the *Chain Store Age*/Leo Shapiro & Associates poll.

Knives appear to be more of a staple, generating more interest among consumers than gourmet machines. Of consumers polled under age 30, 20.1% said they needed knives, a necessity when setting up a home for the first time. Interest in knives decreases with age, with only 7.4% of shoppers over 50 expressing this same need. Consumers mentioned Chicago Cutlery, Ekco, Sheffield and Old Hickory as brands they would buy.

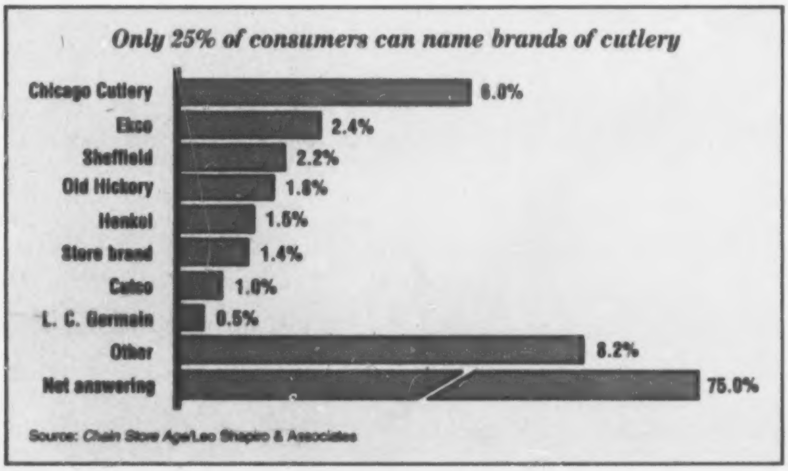
Consumers under 30 are more likely than older shoppers to buy cutlery at discounters (mentioned by 19.5%), but 13.8% also picked department stores. The largest group of young consumers expected to pay $26 for a set of knives, with the average expenditure hitting $37.

On the other hand, 9 out of 10 consumers surveyed were not interested in ice cream and espresso makers. These products seem to be rather unfamiliar to shoppers, with 8 out of 10 consumers unable to name a brand for either product. Consumers who did name specific brands mentioned manufacturers like GE and Sunbeam—but neither of these companies makes an espresso machine, and only Sunbeam has an ice cream maker!

Consumers are also largely unaware of the machines' price tags. The largest percentage expected to pay $21-$26 for an ice cream maker. But the least expensive models—electric ones requiring table or rock salt—retail for $25-$40. A gourmet machine like the Simac I1 Gelataio 1600 (a brand not mentioned by surveyed consumers) has a hefty retail tag of $350.

Consumers show a similar lack of awareness about the price of espresso machines. Again, the magic price point is $21-$26, but prices at Bloomingdale's, for example, range from the Morenita three-cup stovetop model priced at $16 to the $400 Krups Espresso. The trendy retailer carries about a dozen sku's of espresso machines priced between these two extremes.

Upscale shoppers show the most interest in these three products. Five out of 10 who indicated interest in knives and ice cream makers have incomes over $20,000, and 73.8% of households considering espresso machines have family incomes of $20,000 or more. Men are more interested in espresso machines than women. ☐



Only 25% of consumers can name brands of cutlery

Source: *Chain Store Age*/Leo Shapiro & Associates

Goods & Co.: the good get better

It's not just the Hudson River that separates New York and New Jersey. Many retailers drowned crossing the river before anyone discovered that geographic proximity doesn't necessarily mean identical consumer preferences.

This is the reasoning of Stanley Skriloff, president of New Jersey-based Goods & Co., a five-store housewares specialty chain. Up until last September, the stores were part of The Pottery Barn chain in New York, but last year Skriloff felt that The Pottery Barn management was following a marketing direction that just wasn't suitable for his New Jersey division. "The Pottery Barn ran advertised items in the *New York Times* featuring promotional

Old reliables score strong sales

©Disney Productions

There are always, it seems, an army of new licenses on the market. Nevertheless, old reliables such as Snoopy and the Peanuts gang, Superman and Mickey Mouse have managed to hold their own against aggressive newcomers.

In a 1983 *Chain Store Age/Better Homes & Gardens* consumer survey, Mickey Mouse was the most frequently recognized licensed character. Of the survey's top 15 characters (out of a total of 38), seven were oldtimers.

Milwaukee's Roger Bodart, the owner of two all-licensed character shops called Cast of Characters, says that relative newcomers Garfield and Smurf have joined the ranks of staple licensed characters: Garfield accounted for 28% of Bodart's character merchandise sales last year, and Smurf logged 18%. Other big sellers are the Hello Kitty line (18%), Snoopy (6.5%) and Ziggy (3.5%).

Last year's toy sensation, Cabbage Patch, is not on the *Better Homes & Gardens* and Cast of Character lists—the former survey was conducted before Cabbage Patch's holiday season success, and Bodart does not stock the popular doll.

and are now playing rock and roll star. L.J.N. Toys Ltd. is making a Michael Jackson wireless microphone, which has become a hit of sorts among Toy Fair watchers. (Any AM radio can be used as a speaker with the microphone.) But not to be outdone, Playtime has produced a Cabbage Patch wireless microphone. And when the kids tire of singing like their favorite stars, they can listen to the real thing on their Cabbage Patch or Knight Rider record player.

Cabbage Patch certainly made its presence felt at the fair. Hartford-based Coleco Industries Inc. has produced new lines based on the popular doll, ranging from Cabbage Patch pets to strollers. Retailers feel they are facing some hard choices: They can't carry everything, yet they don't want to be caught short.

One person who doesn't want to repeat a supply shortage situation is moviemaker Steven Spielberg. For the first time, Spielberg has issued a license to coincide with the release of his films. This time it's *Indiana Jones and the Temple of Doom* and *Gremlins*, a movie that retailers say may spawn another *E.T.*-like product explosion. But unlike *E.T.*, whose licensed products were produced after the movie was released, L.J.N. and Spielberg are already unveiling the new *Gremlins* merchandise. ☐

*Mickey tops 1983 license character survey**

Which characters are you or your family familiar with?

Character	Total mention
Mickey Mouse	95.2%
Muppets	93.2%
Snoopy/Peanuts	92.7%
Sesame Street	92.6%
E.T.	92.3%
Strawberry Shortcake	92.0%
Pac-Man	91.1%
Bugs Bunny	90.9%
Smurfs	90.7%
Star Wars	89.1%
Flintstones	88.7%
Popeye	87.7%
Dukes of Hazzard	87.3%
Superman	87.3%
Annie	86.4%

Source: *Chain Store Age/Better Homes & Gardens research*

*Totals do not add up to 100% due to multiple responses.

GARFIELD and COMPANY

LOOK AT THE COMPANY WE KEEP

NEWSPAPERS
GARFIELD is the fastest growing comics feature in the history of syndication. The feisty feline appears in more than 1,600 newspapers worldwide—and the list is still growing.

TELEVISION
More than 90 million television viewers have delighted in the antics of the number one cat! His top-rated, prime time CBS specials—"Here Comes GARFIELD" and "GARFIELD On The Town"—are now television classics. In addition, the GARFIELD specials are being shown in several countries around the world, and a third special is set for 1984.

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The most exciting story in book publishing! In just four years, eleven GARFIELD titles have appeared on *The New York Times* bestseller list, including an unprecedented first—seven at one time.

PRODUCT
Diversified products with special appeal to the consumer. GARFIELD, ODIE, POOKY and for 1984, ARLENE and NERMAL! In a multitude of categories from 150 licensees around the world.

PROMOTION
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MERCHANDISING
GARFIELD is an integral part of the merchandising programs for a wide variety of retail establishments: chain, mass merchandisers, gift, card, drug chains, supermarkets and toy stores. GARFIELD and COMPANY—the retail performance team.

MEDIA
Media exposure for GARFIELD is unmatched in the history of comics characters: national magazines, newspapers, television networks and hundreds of local affiliates are covering the GARFIELD success story.

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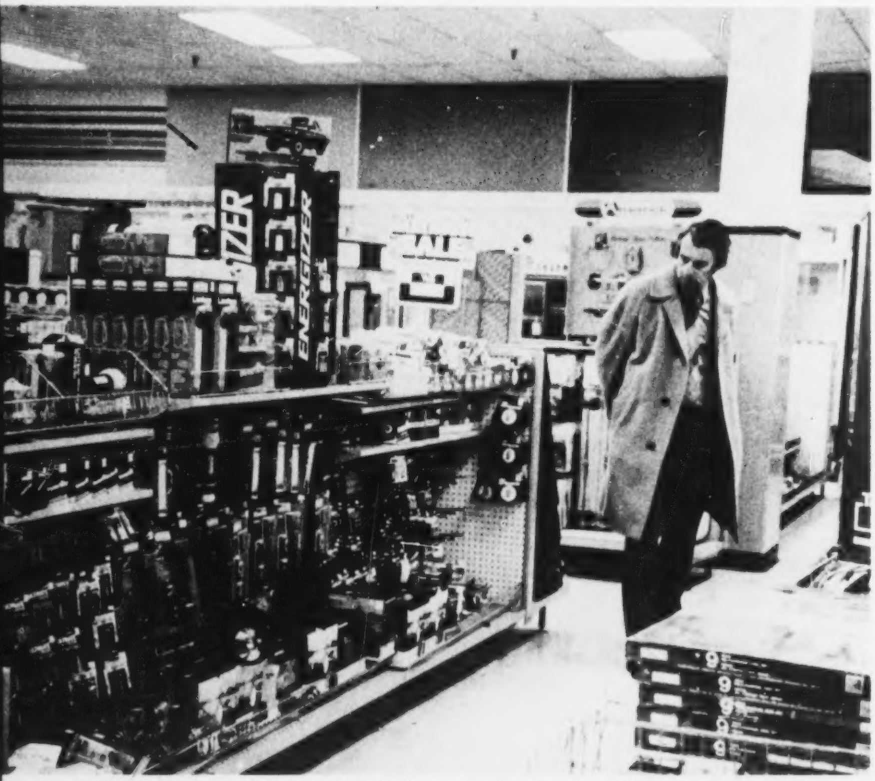
Bright profits for pricey flashlights



***Tired of low-end lights** that don't work, shoppers are trading up to premiums.*

As with cigars, Americans have had a long-standing love affair with the good, preferably cheap flashlight. But in the past year, the nation's major lighting manufacturers have introduced new flashlight lines in the $5-$11 range, hoping that consumers will be willing to pay more than 99¢ for a product that could spend most of its working life tucked away in a kitchen drawer.

The new products are called premium flashlights, which manufacturers say are more durable, shine brighter and carry guarantees ranging from two years to a "lifetime." According to Michael C. Plautz, director of marketing/lighting products for Wisconsin-based RAYOVAC, the premiums offer an opportunity for retailers and manufacturers to generate more dollars from this traditionally slow-growth category.

Indeed, the greatest growth in the flashlight industry appears slated for the premium classification. According to a National Lighting Device Audit survey, provided by RAYOVAC, the industry's four-year ('82-'85) compound sales growth rate will be an estimated 9.4%. Meanwhile, sales volume for flashlights is expected to increase an average of 22% annually during the same four-year period. The premium flashlight lines, in fact, are expected to increase their share of the total flashlight market almost 40%, from 31% of the category's sales in 1982 to an estimated 43% of the market in 1985.

One reason for the shift is that flashlight owners are dissatisfied with the failure rate of the low-end products. "There has been very little innovation in the product category," says Ted Feightner, product manager for Durabeam lighting products. "The consumer is really dissatisfied with the current lighting market. They're finding out that low-end flashlights just don't last very long. If they're looking for quality, they seem to be willing to pay for it."

Shelf wars: The arrival of the pricey lights may force manufacturers to scramble for space. RAYOVAC's Plautz contends his company will not sell to retailers who plan to replace the manufacturer's low-end lines with the company's premium flashlights (they're introducing three new models).

But there won't be room for everyone, according to Garr Van Doren, product manager for Ever-Ready lighting products. "I suspect that the trade will only go with one or two," he says.

Garr, however, scoffs at the suggestion that the premium lines will make a significant impact on the flashlight market. "The cheap, dollar flashlight will still be the consumer favorite," he says, adding that EverReady owns more than 50% of the low-end flashlight market among food, drug and mass merchandising chains.

"We don't see this [premium flashlights] as being the true action in the market," he says. "The action is in the low-end market." ☐

Premium flashlights increase market share*

Type	1982	1983	1984[1]	1985[1]	% change 1982-85[1]	% compound growth 1982-85[1]
Premium	$27	$29	$ 39	$ 49	+81.5	+22.0
Medium	29	28	27	25	−13.8	− 4.8
Low-end	31	36	38	40	+29.0	+ 8.7
Total	87	93	104	114	+31.0	+ 9.4

*Dollar figures represent millions of dollars

[1] Estimated

Source: National Lighting Device Audit (1982-83)

Photo accessories score high marks

Though profitable, accessories get only limited space in photo sections.

It doesn't take much time or space to sell a photo album. The photo department clerk doesn't have to be concerned with explaining F-stops or displaying the picture books in eye-catching glass cases. But photo albums make money. In a *Chain Store Age* /Lebhar-Friedman survey, discount store photo/camera buyers report that photo albums produce a 32% gross margin and 5.8 stock turns per year. This contrasts with total photo department margins of a *CSA*-estimated 16.7% and 4.2 stock turns.

General merchandisers have known for quite some time that a photo section's productivity hinges on the sale of camera accessories, film and film processing. Earlier this year *Chain Store Age* asked buyers from department, discount and variety stores to report the results of product categories ranging from camera lenses to disc cameras (see following story).

According to the survey, the average photo department is about 200 sq. ft., ranging from a low of 50.6 sq. ft. for a variety store to 310.4 sq. ft. in a department store. The money-making accessories, however, take up a relatively small percentage of this space. For example, camera carrying cases—which buyers say produce 33.4% gross margins—account for only 11.5% of the space in a photo department.

The following is a breakdown of the accessory classifications as reported by the buyers surveyed:

- **Photo albums:** This staple category, which is often cross-merchandised in the stationery department, logged the highest gross margins (33.9%) in the survey as well as the most frequent stock turn rate (5.3). But some retailers were reporting better numbers. For example, 45% of the buyers surveyed said they logged gross margins of 36%-50% for photo albums.

The best-selling brands, retailers say, are Holson and various import brands. About 18% mentioned the imports, followed by Holson (13%), Springfield (8%) and Pioneer (5%). Among retail classifications, Holson showed more strength in department stores. About 20% said Holson was the top-selling brand, followed by the imports (15%) and Norwood (10%).

- **Camera carrying cases:** This accessory is another high margin/high turn accessory. Although the survey's average margin for carrying cases was 33.4%, just under a third of the buyers asked reported margins ranging from 36% to 40%, while another 11% said they produced margins of 46%-50% for carrying cases.

Buyers in a recent *CSA* survey rated classifications and named the best sellers in each

By far the best-selling camera bag was produced by Coast, named by more than 30% of the buyers asked. Kodak was next (15%), and Service (11%) was third.

- **Camera lenses:** This is a tricky category for GMers. While the margins for camera lenses are higher than average for the photo classification, retailers have to be price-competitive with specialty outlets as well as offer an extensive selection to attract business from hobbyists and serious amateurs. As a result, many GMers—especially discounters—have dropped the line.

Lenses, however, appear better suited to department stores, which can offer both service and selection. This is reflected in the survey. Not only do camera lenses garner the highest margins in department

Zoom lenses top sellers

Lens type	Average[1]	Department store	Discount store	Variety store[2]
Zoom lens	35%	18%	54%	—
Macro-zoom lens	32	32	31	—
Telephoto lens	15	41	—	40
Wide-angle lens	12	9	15	20
Don't know	5	—	—	40

[1]Does not equal 100% due to rounding [2]Small base

Source: *Chain Store Age*/Lebhar-Friedman research

Buyers name Coast most popular camera case

Brand	Average	Department store	Discount store	Variety store*
Coast	31%	35%	38%	—
Kodak	15	4	21	28
Service	11	13	8	14
Diamond	4	4	4	—
Polaroid	4	4	4	—
Kiwi	4	4	4	—
Canon	2	4	—	—
Private label/store brand	2	4	—	—
Brand not specified	13	13	4	14
All other mentions	9	4	17	43
No answer	4	9	—	—

*Small base
Source: *Chain Store Age*/Lebhar-Friedman research

Accessories score photo department profits

	Turns				Gross margins			
	Average	Department store	Discount store	Variety store*	Average	Department store	Discount store	Variety store*
Photo albums	5.3	4.7	5.8	4.5	33.9%	37.6%	32.0%	32.4%
Carrying cases	4.3	3.3	5.0	4.0	33.4	37.7	31.9	36.0
Camera lenses	3.3	3.9	3.0	1.5	23.4	26.1	19.7	18.0
Photo-developing equipment	3.2	3.5	3.0	N/A	28.0	29.7	28.0	N/A
Film-processing	—	—	—	—	28.7	32.2	31.3	24.7

*Small sampling base   N/A: not applicable
Source: *Chain Store Age*/Lebhar-Friedman research

stores, which is not unexpected, but they have the most frequent stock turn rate among the three GM classifications—3.9 turns at department stores compared with 3 turns for discount outlets.

The zoom and macro-zoom lenses continue to be the most popular among shoppers, buyers say. About 35% of those asked said the zoom lens was their chain's best-selling lens, while 32% named the macro-zoom. The telephoto lens showed more strength in department stores—more than 40% of department store buyers said it was the best-selling line.

Meanwhile, the wide-angle lens was the weakest of the four. Only 12% of the buyers surveyed named it as the top-selling camera lens.

• **Photo-developing equipment:** Darkroom equipment was the weakest of the accessory categories—only 11.5% of the buyers surveyed said they stocked the equipment. Of those buyers who carry photo-developing products, 46% reported margins between 26% and 40%. One-quarter of department store buyers, in fact, said darkroom equipment margins ran as high as 46%-50%.

But although many GMers have dropped the category, about 55% of the buyers surveyed said photo-developing equipment sales are on the rise.

• **Film-processing:** The introduction of the new high-speed color films by Kodak and Fuji has stirred interest among amateur photographers, which is good news for photo departments. Gross margins for film, buyers say, average 32.2% for department stores and 31.3% for discount outlets.

The 1982 introduction of the disc camera also jolted film sales and a subsequent increase in photo-processing. More than 50% of the buyers surveyed said film sales have increased as a result of the disc.

But some of the photo-processing dollars may be going to the one-hour photo labs. More than 22% of the buyers surveyed said their photo-processing business decreased as a result of one-hour labs, but most said they have had little or no impact. More than 70% of the buyers said their photo-processing business has either increased or has not been affected despite competition from the so-called mini-labs. ☐

K mart to expand mini-lab test

In an effort to increase the profitability of its photo-finishing operations and stem competition from the so-called one-hour photo-processing operators, K mart has plans to expand its experiment with in-store mini-lab equipment.

There are now 13 labs in stores in Detroit, Toledo, Ohio and Saginaw and Ann Arbor, Mich. According to a company spokesman, another 11 locations may receive the equipment by the end of the year.

Photo-processing is a big business for discounters, but it's also a business that has become increasingly competitive over the past few years. One source of competition is the mini-lab operators who promise customers finished color photographs in a mere 60 minutes.

In 1982, K mart moved to capture the one-hour market by launching a two-store experiment. But although the stores contained the one-hour equipment, chain officials did not advertise the service. The stores housing the equipment also served as labs for surrounding K marts. Although customers were told they could have their order back in an hour, few used the service. "If 10% took advantage of it, that's a lot," says a spokesman.

But in the 11 proposed sites, K mart will begin to market the new service by creating a specific counter for the labs and advertising the "while you shop" photo-processing service.

The K mart spokesman, who did not reveal specific statistics, said gross margins for film-processing labs "increased significantly" since the introduction of the new equipment. ☐

***Disc cameras** have created serious problems for sales of instant models.*

Discs set photo sales spinning

A K mart camera clerk placed two photographs side by side on the counter. One noticeably grainy print was from the Kodak 4000 model disc camera; the other, sharper print was from a low-end 35mm auto-focus camera. "Usually when I show shoppers the better-quality 35mm picture, I can talk them into spending a little more to buy the 35mm camera," the clerk explained.

The trade-up opportunities are only one impact of the disc-type cameras that were first unveiled by Rochester, N.Y.-based Kodak in 1982. The introduction has been a shot in the arm to photo retailers, who say it has not only stimulated camera sales, but has increased film sales as well.

More than 50% of the department, discount and variety store buyers surveyed by *Chain Store Age* said film sales have increased as a result of the disc camera introduction. The effect, however, has been more deeply felt by discount stores. Some 70% of the discount outlet buyers reported film sales have jumped in conjunction with the disc camera. Disc cameras are produced by 20 manufacturers (48 models), according to the Photo Marketing Association.

The disc camera introduction has had some expected and some unexpected effects on other camera lines as well. Not surprisingly, more than 50% of the buyers said that sales dropped for the pocket, 110 model cameras. The 110 camera, however, is still a viable market for photo retailers, who had previously predicted that the 110's would become extinct shortly after the discs were introduced.

Instant-picture cameras, though, may have had the most problems with the disc camera, the *CSA* survey indicates. About 70% of the buyers said instant camera sales have dropped since the introduction of the discs.

On the other hand, low-end, 35mm auto-focus cameras have profited from the increased consumer interest generated by the disc lines.

About 60% of the buyers surveyed said auto-focus sales have increased since the disc cameras stormed the market. And as in the case of the K mart clerk, some buyers say camera department personnel have been encouraged to trade up potential disc camera buyers to 35mm snapshooters. Among department store buyers, 57% said the salesmen are encouraged to trade up customers, compared with 38% for discounters.

While clerks often compare the 35mm's superior print quality when trading up shoppers, 51% of the buyers surveyed said there were no complaints regarding disc camera quality—in fact, only 5% said the disc camera returns were higher than other camera lines.

Kodak's obvious market dominance is reflected in the survey. Almost 85% of those asked named a Kodak disc model (3000, 4000 or 6000) as the top-selling disc camera. When asked to name the best-selling disc cameras other than Kodak, Minolta, Ansco and Keystone models showed strength.

Disc gross margins were relatively low in all retailing segments. The average gross margin for department, discount and variety stores was 17.4%. Department store buyers reported the highest gross margins (19.5%), followed by discount stores (16.3%) and variety outlets (15.9%).

The margins coincided with the pricing differentials. For example, the average price for a disc camera in a department store was $41.58 compared with $36.74 in a discount outlet. The average price among all retailing segments was $37.42. ☐

Buyers name Kodak as best-selling disc camera

Brand	Total	Department store	Discount store	Variety store
Kodak 4000	45%	57%	38%	38%
Kodak 3000	31	23	38	31
Kodak 6000	8	10	9	—
Minolta Disc 5	3	3	3	—
Ansco HR 30	3	—	6	—
Keystone 1050	3	3	3	—
Ansco HR 20	2	—	—	15
Others	1	3	—	—
Don't know/no answer	1	—	—	8

Figures do not equal 100% due to rounding.
Source: *Chain Store Age*/Lebhar-Friedman Research

FINANCIAL NEWS

Soft goods increases sales percentage

Last year was supposed to be the year of the durable goods, but according to the Bureau of Labor Statistics, soft lines increased its share of the relative weighting of total store sales.

Soft lines increased its index weighting to 70.21% vs. 69.97% of a year earlier despite a 3.1% average price inflation. Durables shrank from 25.15% to 24.95% with a 1.9% inflationary increase.

Overall, the stability of the LIFO inflation index on inventories compared to 1982 meant another year of LIFO credits. Sears, for example, recorded a $14 million net credit for the full year, compared with a $13 million credit in '82.

Changes in LIFO department store index

Item	Index weight Jan. '84	Index weight Jan. '83	12 months through Jan. '84	12 months through Jan. '83
Piece goods	0.85%	0.93%	−2.2%	+3.7%
Domestics/draperies	10.57	10.62	+2.3	+4.2
Women's/children's shoes	2.34	2.41	−0.2	+1.3
Men's/boys' shoes	0.52	0.52	+2.4	+0.7
Infants' wear	3.53	3.59	+1.1	+4.5
Women's underwear	5.79	5.63	+5.6	+5.0
Women's/girls' hosiery	1.60	1.54	+4.1	+3.1
Women's/girls' accessories	2.46	2.48	+1.6	+3.5
Women's outerwear/girls' wear	14.01	13.96	+3.0	−1.2
Men's clothing	5.88	5.90	+2.4	+2.3
Men's furnishings	5.09	5.15	+1.6	+4.6
Boys' clothing/furnishings	2.16	2.12	+4.5	+4.7
Jewelry	4.52	4.53	+2.4	−1.8
Notions	2.73	2.79	+0.5	+9.5
Toiletries/drugs	8.21	7.83	+7.7	+7.7
Furniture/bedding	8.25	8.28	+2.3	+1.5
Floor covering	2.24	2.16	+6.5	+3.8
Housewares	10.23	10.32	+1.8	+2.7
Major appliances	1.85	1.90	+0.2	+3.0
Radio/TV sets	2.39	2.49	−1.6	+0.6
Miscellaneous	4.84	4.88	NT	NT
Total soft goods	70.21	69.97	+3.1	+3.0
Total durables	24.95	25.15	+1.9	+1.9
Total store	100.00	100.00	+2.7	+2.8

NT: Not tracked

Source: Bureau of Labor Statistics

N.Y. Post/Lotts 1984

Fabric chain makes crafty venture

While crafts go hand in hand with sewing, they apparently don't mix as well with toys, eyeglasses, keys or cookies. This reasoning prompted Cleveland specialty retailer Cole National Corp. to sell its Craft Showcase stores to Los Angeles-based House of Fabrics.

HOUSE OF F BRICS

Cole National, which operates Child World/Children's Palace optical departments at Sears and Montgomery Ward, The Original Cookie Company and the Key Shop, reported 1983 sales in excess of $600 million. "But the Craft Showcase chain accounted for only about 3% of '83 sales," says Cole president Jeffrey Cole, "and no longer fits our long-term growth strategy."

For fabric specialist House of Fabrics, the 35-store national craft chain is a welcome addition to its already growing craft business. Currently about 225 of House of Fabrics' 685 fabric stores have craft departments. "We think about 30%-40% of all fabrics we sell go to nonapparel projects," says a House of Fabrics spokesman.

He's not Don Ho, but Walton hulabrates '83

The frigid winds of Wall Street rather than the balmy breezes of Waikiki greeted Wal-Mart chairman Sam Walton last month as he hula-danced his way up the financial corridor in blustery 29-degree weather.

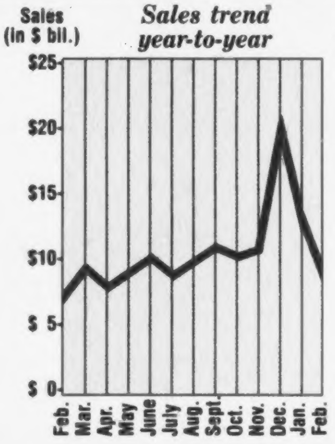
Walton fulfilled a pledge to employees to dance if the discount chain returned 8% pretax profit on its 1983 sales of $4.67 billion. In 1982, Wal-Mart posted a 6.7% pretax margin. Net profit rose 58.1% for the year to $196.2 million on the 38.2% sales increase.

FINANCIAL NEWS

Traditionally weak February leaps

Tradition took a beating at the hands of continued strong consumer spending as normally weak February delivered a 16% monthly sales increase for the 25 chains tracked by *Chain Store Age*. All but 4 of the GMers reported double-digit jumps.

Rebounding Montgomery Ward paced the Big 3 catalog chains, posting a 20.2% February gain, its best monthly increase since April 1981. Same-store results leaped a giant 22.4%. Mid-Atlantic stores, along with Detroit, Chicago and Oakland units, led the way with TVs, cameras, microwaves, jewelry and ladies' and girls' fashions the big winners.



Composite of sales trends comparing monthly change vs. prior year for the 25 retail companies tracked by *CSA*.

J. C. Penney reported a 21.2% sales hike, excluding results for discontinued hard lines in 1983, and showed an overall increase of 19%, while Sears' United States and Canadian volume rose 9.7%.

Department stores boasted the strongest gains, with Associated Dry Goods' totals up 30% and Macy's reporting an increase of 24.7%. Carter Hawley Hale same-store sales jumped 19%, and Allied charted a 12.5% comparable-store hike.

Minneapolis-based Dayton Hudson kept pace with a 24.4% overall increase, including a 23% hike for Mervyn's and a 31% jump for its Target discount division. Dayton Hudson president/ceo Kenneth A. Macke noted that "February sales gains were healthy, particularly considering that it followed a 22% improvement recorded in February 1983."

Strong performers among the discounters were Rocky Hill, Conn.-based Ames with a 23.2% comparable-store increase, Braintree, Mass.-based Bradlees with a 20% same-store hike, and Bentonville, Ark.-based Wal-Mart with a 17% same-store increase.

K mart came off a weak January performance with an overall jump of 11.2%, but continued to lag behind the pack. However, K mart chairman Bernard M. Fauber reported women's apparel increases at twice the store average.

Double-digit jumps brighten sales picture

		February sales*		Stores		1-mo. sales		
Major chains	**% change**	**1984**	**1983**	**1984**	**1983**	**1984**	**1983**	**% change**
Sears[1,6]	+ 9.7	1,620,384	1,477,298	886	902	1,620,384	1,477,298	+ 9.7
Penney	+ 19.0	675,000	567,000	2,013	2,055	675,000	567,000	+ 19.0
Ward[1]	+ 20.2	385,426	320,647	368	386	385,426	320,647	+ 20.2
Federated[3]	+ 14.9	466,700	406,100	404	410	466,700	406,100	+ 14.9
Dayton Hudson	+ 24.4	430,589	346,111	1,082	980	430,589	346,111	+ 24.4
May Dept. Stores	+ 15.7	256,600	221,700	1,598	1,477	256,600	221,700	+ 15.7
R. H. Macy	+ 24.7	281,000	225,400	103	103	281,000	225,400	+ 24.7
Allied Stores	+ 15.3	243,200	210,900	520	535	243,200	210,900	+ 15.3
Carter Hawley Hale	+ 23.1	248,100	201,500	1,082	1,031	248,100	201,500	+ 23.1
Associated Dry Goods	+ 30.0	218,100	167,800	321	247	218,100	167,800	+ 30.0
Mercantile	+ 15.4	93,089	80,644	77	85	93,089	80,644	+ 15.4
K mart	+ 11.2	1,103,322	991,986	2,158	2,118	1,103,322	991,986	+ 11.2
Woolworth	+ 6.9	325,887	304,726	N/A	N/A	325,887	304,726	+ 6.9
Wal-Mart	+ 42.0	328,000	231,000	648	558	328,000	231,000	+ 42.0
Household Merch.[2,3,5]	+ 3.6	392,471	378,792	3,789	3,919	392,471	378,792	+ 3.6
T.G. & Y.	+ 5.8	136,605	129,145	801	891	136,605	129,145	+ 5.8
Zayre[4]	+ 29.6	151,742	117,084	755	628	151,742	117,084	+ 29.6
Bradlees	+ 46.3	73,300	50,100	127	106	73,300	50,100	+ 46.3
Murphy	+ 11.5	54,584	48,941	403	422	54,584	48,941	+ 11.5
Rose's	+ 19.4	57,321	47,987	193	237	57,321	47,987	+ 19.4
Heck's	+ 2.9	28,000	27,200	122	119	28,000	27,200	+ 2.9
Jamesway	+ 24.9	21,840	17,491	78	68	21,840	17,491	+ 24.9
Melville	+ 23.5	253,034	204,949	5,735	5,488	253,034	204,949	+ 23.5
Tandy	+ 16.0	210,700	181,696	N/A	N/A	210,700	181,696	+ 16.0
Edison Bros.	+ 14.1	73,026	63,984	2,200	2,159	73,026	63,984	+ 14.1
The Gap	+ 29.3	29,100	22,500	548	549	29,100	22,500	+ 29.3
Totals & Averages	**+ 16.0**	**8,020,515**	**6,913,536**	—	—	**8,020,515**	**6,913,536**	**+ 16.0**

*000 omitted. N.C. = no change. N/A = not available.

[1] Store number for full-line outlets only. [2] Includes 2,773 franchise stores (vs. 2,816 a year ago). [3] Includes T.G. & Y. sales. [4] Includes 275 Zayre stores (vs. 264 a year ago), 362 Hit or Miss stores (vs. 278) and 118 T. J. Maxx stores (vs. 86). [5] Excludes supermarket sales. [6] Includes results from Simpson-Sears.

Woolworth upgrades debt rating

F. W. Woolworth Company's senior debt rating was upgraded by Moody's from Baa2 to Baa1, effective February. Improved earnings prospects and increased liquidity, brought about by the closure of U.S. Woolco and the sale of the British division, were the reasons given for the upgrade.

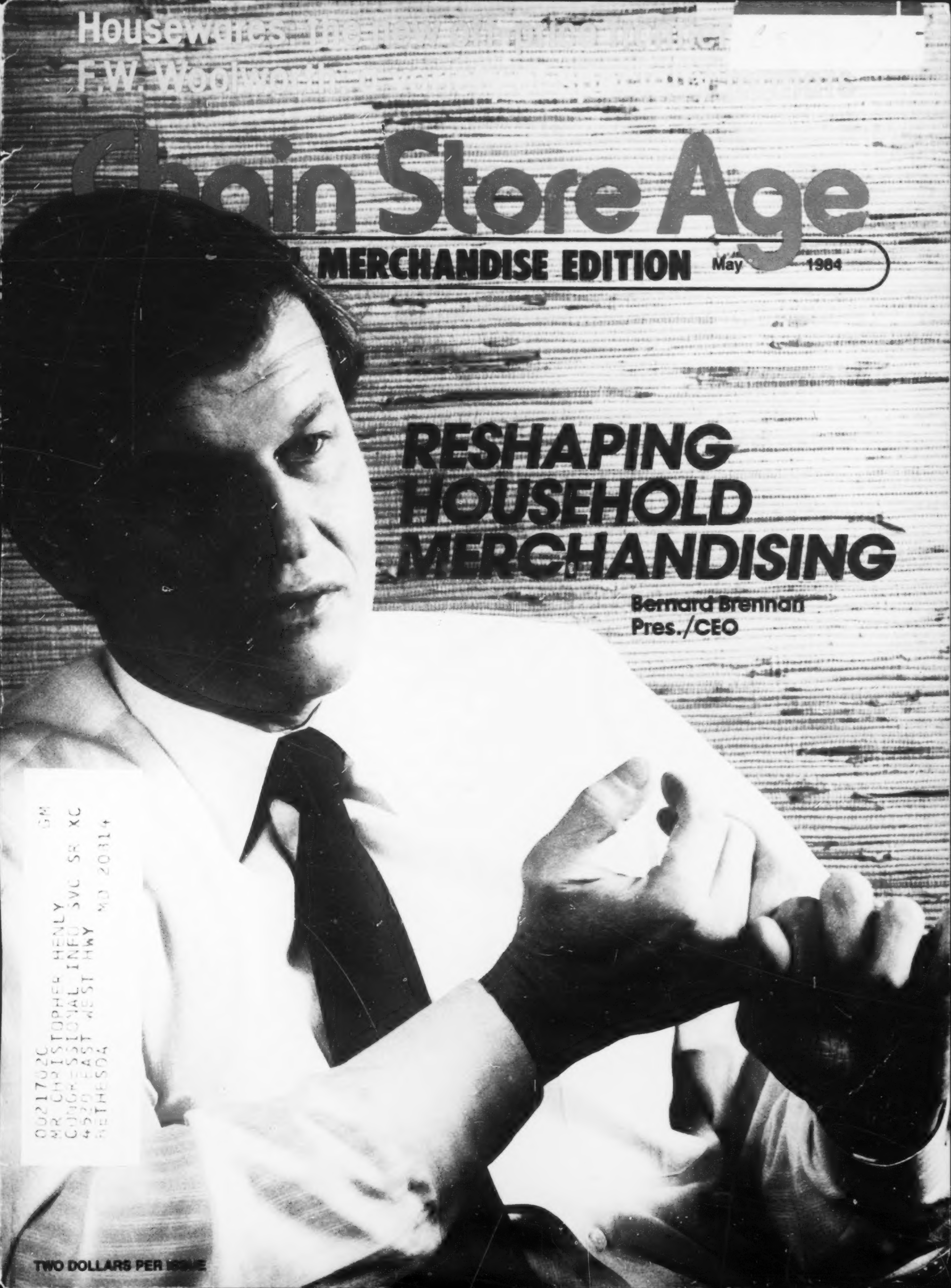
Although eligible for more favorable rates on long-term debts, the company is currently reducing borrowing needs. Last year, long-term debt declined approximately $40 million, according to Roy Garofalo, vp/investor relations. Cash in short-term investments dropped about $150 million for the same period, and Woolworth once again ended the fiscal year with no short-term debt.

Housewares: the new [illegible]

F.W. Woolworth [illegible]

Chain Store Age

MERCHANDISE EDITION May 1984



RESHAPING HOUSEHOLD MERCHANDISING

Bernard Brennan
Pres./CEO

0021702C GM
MR CHRISTOPHER HENLY
CONGRESSIONAL INFO SVC SR XC
4520 EAST WEST HWY
BETHESDA MD 20814

TWO DOLLARS PER ISSUE

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Limited, Rose's, K mart, Zayre, Ward lead profit charge

Store	4th quarter (000 omitted) '82	4th quarter (000 omitted) '83	% change	Full year (000 omitted) '82	Full year (000 omitted) '83	% change
Penney[1]	234,000	260,000	+ 11.1	430,000	467,000	+ 8.6
Sears[1,2]	311,600	406,800	+ 30.6	455,900	654,300	+ 43.5
Ward	16,000	53,000	+231.2	(93,000)	40,000	—
Subtotal	561,600	719,800	+ 28.2	792,900	1,161,300	+ 46.5
K mart	165,200	248,600	+ 50.5	261,800	492,300	+ 88.0
G. C. Murphy	6,931	7,243	+ 4.5	11,744	18,408	+ 56.7
Rose's	7,328	10,142	+ 38.4	11,559	21,386	+ 89.3
SCOA (Hills)	23,626	27,913	+ 18.1	36,084	41,812	+ 15.9
Wal-Mart	55,500	84,600	+ 52.4	124,100	196,200	+ 58.1
Woolworth[3]	70,000	81,000	+ 15.7	82,000	118,000	+ 43.9
Zayre	18,793	28,311	+ 50.6	35,176	61,426	+ 74.6
Subtotal	347,378	487,809	+ 40.4	562,463	950,032	+ 68.9
Allied	70,544	80,113	+ 13.6	90,659	128,471	+ 41.7
Associated Dry Goods	64,529	80,424	+ 24.6	78,414	115,520	+ 47.3
Carter Hawley Hale	37,293	50,945	+ 36.6	49,025	67,485	+ 37.7
Dayton Hudson[3]	117,520	141,859	+ 20.7	198,368	243,187	+ 22.6
Federated[4]	142,400	172,700	+ 21.3	232,776	338,342	+ 45.4
May Co.	82,900	100,400	+ 21.1	141,700	187,000	+ 32.0
Mercantile	34,304	38,496	+ 12.2	69,941	83,222	+ 19.0
Subtotal	549,490	664,937	+ 21.0	860,883	1,163,227	+ 35.1
Cole National	14,324	17,985	+ 25.6	12,720	17,665	+ 38.9
Oshman's	5,702	7,468	+ 31.0	7,091	10,303	+ 45.3
Toys "R" Us	52,481	73,786	+ 40.6	64,162	92,317	+ 43.9
Subtotal	72,507	99,239	+ 36.9	83,973	120,285	+ 43.2
The Gap	10,491	10,750	+ 2.5	18,216	21,607	+ 18.6
The Limited	13.411	24,296	+ 55.2	33,592	70,939	+111.2
Miller Wohl	6,467	6,213	− 3.9	16,471	16,530	+ 0.4
Subtotal	30,369	41,259	+ 35.9	68,279	109,076	+ 59.8
Total	1,561,344	2,013,044	+ 28.9	2,368,498	3,503,920	+ 47.9

[1] Consolidated operations only. [2] U.S. merchandising only. [3] Continuing operations only. [4] Includes unusual items.
( ) indicates loss

Source: *Chain Store Age* research

Consumer spending gains boost 1983

Bolstered by the continued strength of consumer spending and their own success controlling expenses, the nation's general merchandise chains recorded solid profit gains for both the fourth quarter and the full year. The 23 companies tracked by *CSA* boosted fourth-quarter earnings 28.9% and full-year profits 47.9%.

Discount/variety chains led the pack, with a 68.9% increase in profits, but all segments of general merchandise retailing showed strength. Only five of the 23 companies increased their profits less than 20%.

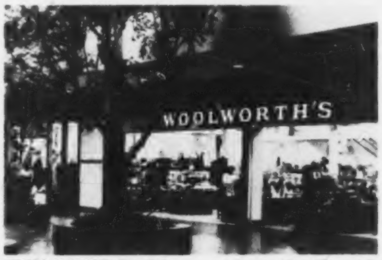
Surges in consumer spending early in the holiday season left most retailers with little need to discount and promote heavily late in the fourth quarter. As a result, gross margins, which have been climbing steadily since the end of 1982, increased in both the fourth quarter and the full year. J. C. Penney and F. W. Woolworth were among those reporting substantially higher gross margins. K mart upped its gross margin a full percentage point, to 27.7%, as the chain's remerchandising efforts continued to bear fruit.

The hefty profit gains most chains reported for the year were not solely the result of the economic upturn. Most large retailers learned their lessons well during the lean years, judging from the way the chains tracked by *CSA* succeeded in holding down their expenses and controlling the growth of inventories. Zayre reduced its S.G.&A. 1.3%. Montgomery Ward trimmed $100 million in expenses and returned to profitability a year ahead of most expectations. Wal-Mart, meanwhile, kept its inventories lean, increasing inventory costs just 13% in a year when sales grew 38.2%.

Riklis planning bid for Woolworth?

Meshulam Riklis, the financial wizard whose Rapid-American Corp. owns McCrory Stores, may be setting his sights on F. W. Woolworth.

Persistent industry rumors suggest that Riklis sees Woolworth as an attractive property and has quietly been acquiring the company's stock, although at presstime Riklis had not filed with the Securities and Exchange Commission in connection with any major purchases of Woolworth shares. Such a filing is necessary when an investor acquires a 5% or greater interest in a company.



***Will FWW** find its way into the Rapid-American family?*

Woolworth's variety stores and specialty retailing divisions would fit in nicely with Riklis' retail holdings, which include the McCrory variety store chain, Lerner Stores and OTASCO, a chain of automotive and home accessories stores. Moreover, say some securities analysts, Woolworth may be vulnerable to a takeover bid. Top management does not control a sizable block of stock, and Woolworth shares have been trading at low prices.

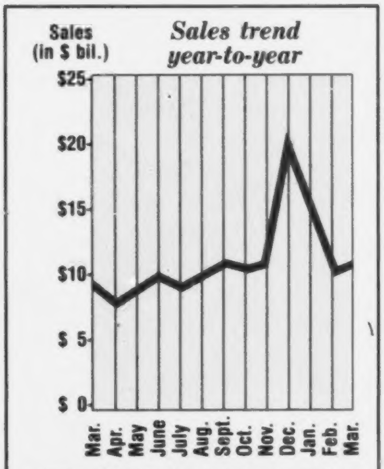
A brilliant but often controversial figure in the financial world, Riklis acquired McCrory in 1976, when the company's variety stores showed an operating profit of just $8.9 million. In fiscal 1983 a leaner, more aggressive McCrory's generated variety store profits estimated at $70 million.

A spokesman for Woolworth said the company was unaware of any major purchases of its stock by Riklis. Key executives at Rapid-American, including Riklis himself, were unavailable for comment.

Lion-like March logs lamblike sales

March weather that both came and went like a lion combined with a late Easter to produce decidedly weak sales for the 25 chains tracked by *Chain Store Age*. The 5.5% monthly sales increase marked the first time in 11 months the GMers did not post double-digit gains and the lowest overall hike since October 1982.

Montgomery Ward bucked the trend and paced the Big 3 catalog chains, showing an increase of 10.5%, its 16th consecutive monthly gain. Sales leaders were electrical and major appliances; apparel lagged behind last year's totals.



Composite of sales trends comparing monthly change vs. prior year for the 25 retail companies tracked by *CSA*.

J. C. Penney posted a 7.7% hike, with same-store results rising 8.4%. Sears, including its Canadian Simpson-Sears subsidiary, reported a 2.4% increase.

Department stores remained the strongest category, led by Carter Hawley Hale's 18% gain overall and a 19% comparable-store increase in its department store divisions. Minneapolis-based Dayton Hudson kept pace with a 13.3% rise, including a 26% increase for Mervyn's and a 12% gain for its Target discount division.

Discounter Wal-Mart was the month's big winner with a whopping 47% jump. The March totals were notable, since they came off a 25% increase for the previous year. Same-store results for the current two-month fiscal year show a healthy 20% gain.

K mart, the nation's largest discounter, came off a promising 11.2% February increase with a disappointing March, reporting sales static against the year before and showing a 1.7% drop in same-store results.

F. W. Woolworth showed strength in its domestic *J. Brannam, Richmond Bros. and Kinney subsidiaries, but foreign operations remained plagued by unfavorable exchange rates.

Henderson, N.C.-based Rose's, while posting an 8.5% increase, probably suffered the most from the month's stormy weather. They reported two North Carolina units lost to tornadoes.

Easter-less March reins in sales

		March sales		Stores		2-mo. sales		
Major chains	% change	1984	1983	1984	1983	1984	1983	% change
Sears[1,6]	+ 2.4	2,163,022	2,113,302	885	902	3,783,407	3,590,600	+ 5.4
Penney	+ 7.7	940,000	873,000	2,016	2,045	1,615,000	1,440,000	+ 12.2
Ward[1]	+ 10.5	516,049	466,879	367	386	901,474	787,526	+ 14.5
Federated[5]	+ 4.7	640,400	611,500	424	390	1,107,800	1,017,600	+ 8.9
Dayton Hudson	+ 13.1	633,191	559,651	1,089	1,003	1,063,807	905,762	+ 17.4
May Dept. Stores	+ 3.5	365,400	353,100	1,609	1,490	622,200	574,800	+ 8.2
R. H. Macy	+ 5.7	339,300	320,900	93	92	620,100	546,300	+ 13.5
Allied Stores	+ 1.6	314,000	309,200	573	542	557,400	520,100	+ 7.2
Carter Hawley Hale	+ 18.0	330,700	280,200	1,094	1,034	578,400	481,700	+ 20.1
Associated Dry Goods	+ 11.9	310,400	277,300	323	250	528,600	445,100	+ 18.8
Mercantile	+ 5.3	125,408	119,087	78	85	218,497	199,731	+ 9.4
K mart	− 0.2	1,548,460	1,550,891	2,042	2,005	2,651,782	2,542,877	+ 4.3
Woolworth	− 0.4	441,039	442,660	N/A	N/A	767,016	747,385	+ 2.6
Wal-Mart	+ 47.0	438,000	298,000	654	558	766,000	529,000	+ 44.8
Household Merch.[2,3]	− 2.1	483,429	493,875	3,780	3,919	878,550	872,763	+ 0.7
T.G. & Y.	+ 8.6	172,966	159,305	793	897	309,571	288,450	+ 7.3
Zayre[4]	+ 7.0	242,927	227,120	764	640	394,669	344,204	+ 14.7
Bradlees	+ 20.6	95,200	78,900	128	107	168,500	129,000	+ 30.6
Murphy	− 6.9	71,869	77,164	404	420	126,453	126,105	+ 0.3
Rose's	+ 8.5	57,151	52,691	191	237	114,472	100,678	+ 13.7
Heck's	− 0.5	39,700	39,900	122	119	67,700	67,100	+ 0.9
Jamesway	− 4.1	29,855	31,141	79	68	51,696	48,632	+ 6.3
Melville	+ 0.4	353,324	351,784	5,754	5,517	606,358	556,733	+ 8.9
Tandy	+ 7.3	222,506	207,379	N/A	N/A	433,206	389,075	+ 11.3
Edison Bros.	+ 3.8	71,896	69,237	2,175	2,169	144,922	133,221	+ 8.8
The Gap	− 4.4	35,100	36,700	553	554	64,200	59,200	+ 8.4
Totals & Averages	**+ 5.5**	**10,808,326**	**10,241,561**	—	—	**18,832,209**	**17,155,192**	**+ 9.8**

*000 omitted. N.C. = no change. N/A = not available.

[1] Store number for full-line outlets only. [2] Includes 2,771 franchise stores (vs. 2,816 a year ago). [3] Includes T.G. & Y. and Von's sales. [4] Includes 276 Zayre stores (vs. 265 a year ago), 367 Hit or Miss stores (vs. 288) and 121 T. J. Maxx stores (vs. 87). [5] Excludes supermarket sales. [6] Includes results from Simpson-Sears.

Macy's aims for $8B in sales by 1990

R. H. Macy plans to double its volume and boost sales per square foot nearly 60% over the next six years. The company believes it can achieve those goals while keeping its pretax profit margins between 10% and 11%.

If all goes according to its strategic plan, Macy's will record about $8 billion in sales during fiscal 1990, up from the $3.9 billion the company did in the 12 months ended March 31. Productivity gains in existing stores will account for much of that added volume. The company is projecting that same-store sales will increase at least 8% each year.

"In 1982 and 1983 we averaged 13.5% store-for-store growth, so 8% is a conservative call-out," says chairman/ceo Edward Finkelstein.

Consumer Electronics Report

Chain Store Age

GENERAL MERCHANDISE EDITION June 1984

THE TOP 100 CHAINS

00217020 GM
MR CHRISTOPHER HENLY
CONGRESSIONAL INFO SVC SR 01
4520 EAST WEST HWY
BETHESDA MD 20814

TWO DOLLARS PER ISSUE

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The top 100 general merchandise chains witnessed a 13.3% sales increase in 1983, while the nation's Top 15 retailers benefited from a hefty 42% increase in their profits. For the hard lines specialty stores, sales were up 21.2% 35

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NEWSVIEW

***Brud Bispham,** advertising supervisor, home furnishings dept., Du Pont, receives Olympics tickets from Michael Bailenson, CSA publisher. Bispham won the round-trip in a recent CSA advertisers' contest.*

Off-pricers lead way in TV ads

Off-price retailers were among the fastest-growing television advertising categories in 1983, according to the New York-based Television Bureau of Advertising (TBA). TV advertising expenditures for the apparel discounters topped an estimated $26.6 million, a 70% increase over the $15.7 million spent in 1982.

Leading television advertiser in the off-price field was New Jersey-based Burlington Coat Factory with TBA-estimated spending of $5,195,400, a 72% jump from 1982 expenditures of $3,028,600.

Other leaders were Melville subsidiary Marshall Inc., at $4,492,400, up 76%, and Hercules division Kuppenheimer Factory Stores.

TV budgets soar at Plums, Brannam

	1982	1983	% change
Burlington Coat Factory	$3,028,600	$5,195,900	+ 72
Marshall Inc. (Melville)	2,547,700	4,492,400	+ 76
Kuppenheimer Factory Stores (Hercules)	2,501,700	4,472,200	+ 79
T. J. Maxx (Zayre)	1,616,200	1,838,300	+ 14
Shoe Town (Felsway)	863,500	1,622,900	+ 88
J. Brannam (Woolworth)	261,600	1,612,200	+ 516
National Brands Outlet	1,035,800	1,526,300	+ 47
Syms	1,610,300	1,514,100	– 6
Linen's 'n Things (Melville)	655,200	1,102,100	+ 68
Plums (Dayton Hudson)	11,400	834,800	+7,223
Front Row (U.S. Shoe)	—	614,900	—
Fashion Gal (Apparel Industries)	413,300	378,400	– 8
Ross Stores	—	306,700	—
Dress Barn	137,600	236,800	+ 72
Filene's Basement (Federated)	356,600	200,600	– 44

Source: Television Bureau of Advertising, from analysis of Broadcast Advertisers Reports data

In comparison, local TV advertising by clothing stores rose 21% in 1983, while department and shoe store broadcast ads were each up 16% over 1982.

*J. Brannam president Ted Bierman, whose Woolworth division posted a 526% increase in 1983, confirms television's vital role in the off-pricer's media mix.

"We consider the electronic medium important to our business and have slanted more of our advertising into it," says Bierman.

INDIANA JONES™

LICENSEES

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Lee Company, a Division of Lee Byron Corp.	(212) 244-4440
Uniprints, A Division of Union Underwear Company, Inc.	(502) 781-6400
Wilker Brothers Company, Inc.	(212) 564-7690

HOME TEXTILES

The Bibb Company	(212) 354-6300

HOUSEWARES

King-Seeley Thermos Company	(203) 887-1671

PREMIUM/PROMOTIONS

J. M. Smucker Company	(216) 682-0015
Procter & Gamble	(513) 562-2497
Seven-Up U.S.A., Inc.	(314) 889-7777

PUBLISHING AND MUSIC

Ballantine Books	(212) 751-2600
Disneyland-Buena Vista Records	(818) 840-1000
Marvel Comics Group	(212) 696-0808
Polygram Records	(212) 399-7100
Paradise Press	(203) 426-0400
Random House, Inc.	(212) 751-2600

STATIONERY AND GIFTS

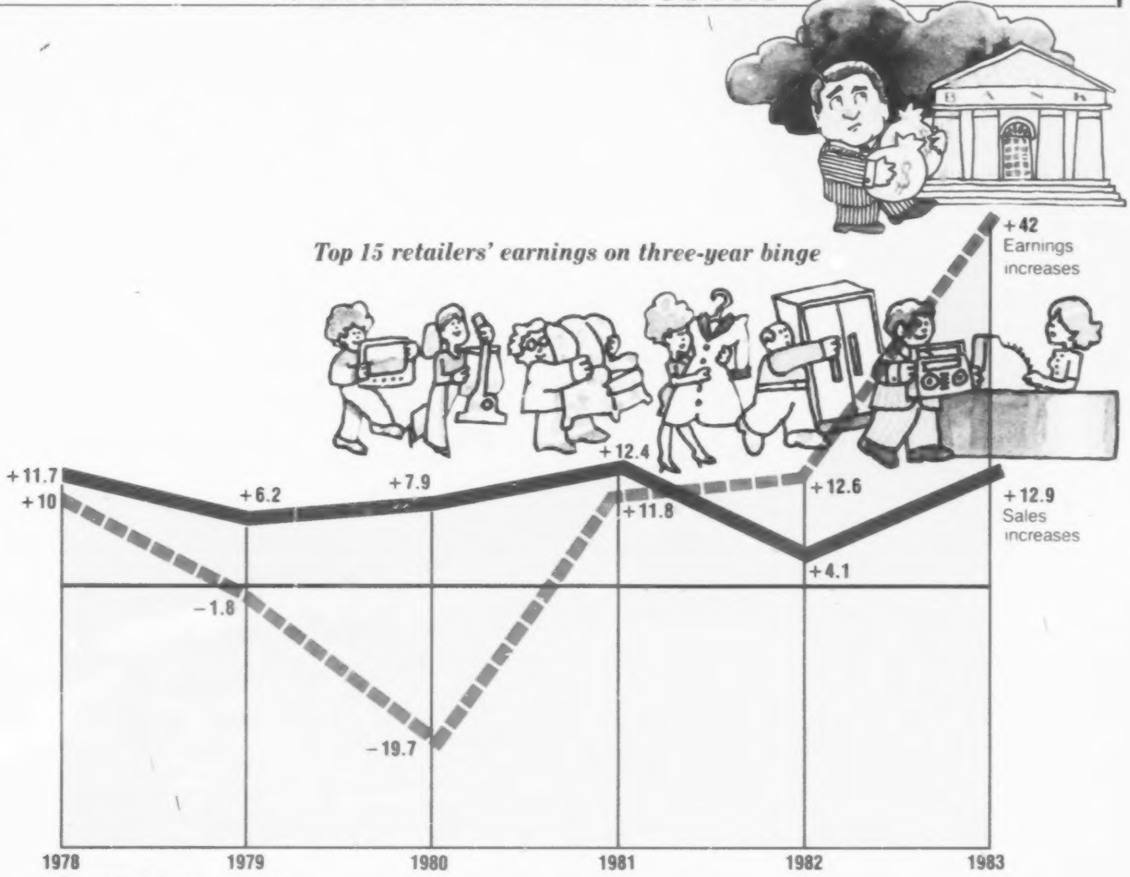
American Publishing Corporation	(617) 926-1800
Faber-Castell Corporation	(201) 484-4141
Sales Corporation of America	(415) 896-0707
Stuart Hall Company, Inc.	(213) 724-4061
Topps Chewing Gum, Inc.	(212) 768-8900

TOY AND JUVENILE PRODUCTS

Bradley Time Company	(212) 243-0200
LJN Toys	(212) 243-6565
TSR, Inc.	(414) 248-3625

MISCELLANEOUS

Atari, Inc.	(408) 745-2000



Top 15 retailers' earnings on three-year binge

Source: *Chain Store Age* research

1983 was a very good year, but . . .

Retailing profits continued their three-year surge in 1983, but the buoyant days are being tempered in '84 by anxiety over prospects for the economy's continued vitality, and by distraction from executive turnover and acquisition activity.

For the second straight year, earnings gains at the Top 15 general merchandise retailers tripled sales increases. Unlike the previous year, when sales inched up just 4.1% and earnings pulled ahead by 12.6%, 1983 produced robust results. Sales for the Top 15 jumped 12.9%, while earnings soared a lofty 42%. Earnings-to-sales climbed a full 1.6% to 3.9%, the highest it has been in more than 10 years.

Indicators continued to show healthy signs for 1984. Sears reported a sevenfold increase in merchandise earnings for the first quarter, while crosstown rival Montgomery Ward narrowed its loss from $19 million down to $4 million. Woolworth quadrupled profits to $4 million; The Limited garnered a 37.4% increase to $13.6 million.

The industry has been jolted almost daily by the battle between CHH and The Limited.

The 25 companies tracked by *Chain Store Age* each month have logged a 12.3% increase during the first quarter, a harbinger of an expected strong year. *CSA* predicts that the Top 100 retailers, coming off a 13.3% increase, will rack up at least 12% improvement in '84, though forecasters are warning that earnings gains will be harder to come by late in the year and into the first part of '85.

This year will not be without tumult. Already the industry has been jolted almost daily by the battle between Carter Hawley Hale and The Limited over the former's independent existence.

Morever, F. W. Woolworth has been longingly looked at by Meshulam Riklis. He has a 3% share of Woolworth stock and may be readying a move to acquire the company and transform his No. 2 variety chain, McCrory, into No. 1.

At the same time, G. C. Murphy has found that 7.51% of its stock is owned by Arveron Investments.

Back-to-back glory years for Top 15 retailers: earnings triple sales again

Company	1982 Volume (000 omitted)	1983 Volume (000 omitted)	% Sales change	1982 Earnings (000 omitted)	1983 Earnings (000 omitted)	% Earnings change	Earnings % sales
1. Sears, Roebuck & Co.[1]	$18,778,800	$ 20,438,700	+ 8.8	$ 455,900	$ 654,300	+43.5	3.2
2. K mart	16,772,200	18,597,900	+10.9	261,800	492,300	+88.0	2.6
3. J. C. Penney	11,414,000	12,078,000	+ 5.8	430,000	467,000	+ 8.6	3.9
4. Federated[2]	6,423,200[2]	7,215,900[2]	+12.3	527,800[2]	683,800[2]	+29.6	9.5[2]
5. Dayton Hudson[3]	5,660,729	6,963,300	+23.0	198,368	243,187	+22.6	3.5
6. Montgomery Ward	5,584,000	6,003,000	+ 7.5	(93,000)	40,000	—	0.7
7. F. W. Woolworth[3]	5,124,000	5,456,000	+ 6.5	82,000	118,000	+43.9	2.2
8. Wal-Mart	3,376,252	4,666,909	+38.2	124,100	196,200	+58.1	4.2
9. May Dept. Stores	3,653,900	4,211,800	+15.3	141,700	187,000	+32.0	4.4
10. Associated Dry Goods	3,188,858	3,717,827	+16.6	78,414	115,520	+47.3	3.1
11. Allied Stores	3,215,634	3,675,873	+14.3	90,659	128,471	+41.7	3.5
12. Carter Hawley Hale	3,054,764	3,632,662	+18.9	49,025	67,485	+37.7	1.9
13. R. H. Macy	2,979,931	3,468,144	+16.4	135,571	186,678	+37.7	5.4
14. Melville[2]	2,623,928[2]	3,189,169[2]	+21.5	247,056[2]	313,369[2]	+26.8	9.8[2]
15. BATUS[2]	2,467,135[2]	3,145,050[2]	+27.5	166,439[2]	218,260[2]	+31.1	6.9[2]
Totals and averages	94,317,331	106,460,234	+12.9	2,895,832	4,111,570	+42.0	3.9

[1]U.S. merchandising only [2]General merchandise sales and operating earnings only [3]Continuing operations only
Source: *Chain Store Age* research/annual reports

Murphy, as are other companies such as Federated, is presenting stockholder proposals that would make takeovers more difficult.

Management of Woodward & Lothrop, one of the few remaining large independent department store companies, has been favorably disposed to a buyout by real estate developer A. Alfred Taubman.

Takeovers and buyouts have not monopolized the headlines. Since the beginning of the year, the industry has been treated to a series of intriguing executive moves.

Floyd Hall left his post as chairman/chief executive of Target to enter the supermarket field as head of Grand Union.

Another Dayton Hudson topsider, Wallace Kalina, abruptly resigned at Mervyn's to spend more time with his family. Carl Bennett, founder and ceo of Caldor, followed through on his pledge to vacate his office three years after selling his chain to Associated Dry Goods.

James Schoff, president of Bloomingdale's, also surprised observers with his sudden departure.

Both department and discount stores, as retail groups, rang up double-digit sales increases. The Big 3's sales improvement came in under 10%, but the group more than made up for it with a 37.1% boost in operating earnings. That was more than the 26.7% benefit brought in by department stores, but it paled by comparison to the discount tier's plus-60.2%.

Within the Top 15 retailers, several changes have transpired. No changes occurred in the first eight chains. Wal-Mart leapfrogged over May Department stores into eighth place. Associated Dry Goods, with its pickup of Loehmann's and continued growth from Caldor, edged ahead of Allied for the 10th spot. Melville and Batus, the latter reaping rewards from its Marshall Field acquisition of '82, entered the leaders as, respectively, Nos. 14 and 15, replacing Household Merchandising and Wickes.

Both department and discount stores, as retail groups, rang up double-digit sales increases.

A shift also occurred in the mix of sales for the Top 100 chains. Discounters captured 29.9% vs. 29.7% in '82, Big 3 23.2% vs. 24.8%, department stores 21.1% vs. 20.6%, soft lines specialists 5.9% vs. 8.2%, hard lines specialists 8.6% vs. 7.5%, variety stores 2.8% vs. 4.5%, catalog showrooms 2.8% vs. 2.6%, and off-price apparel stores 2.6% vs. 2.1%. ☐

Gains in '83; buyouts in '84

Last year was something of a comeback year for department stores, with same-store sales ahead an average of 11%. Chains strengthened the positions of their department store holdings by selling off deadwood and expanding into understored markets or rapidly growing areas.

Following on the heels of 1983's improved performance, this year looks to be one of intrachain mergers and acquisitions. In the first six months of 1984, one department store, Woodward & Lothrop in Washington, D.C., fought off one takeover bid and then acquiesced to another. Carter Hawley Hale is battling The Limited's intended takeover, and may lose its star performer, specialty chain Waldenbooks, if the takeover bid succeeds. Philadelphia-based Strawbridge & Clothier, one of the few independent chains left, tightened its defenses against a possible acquisition by Ronald Baron, who holds 1.5% of the stock. (Baron had previously tried with Woodie's.)

Emphasis will continue to be on private label brands at department stores as more and more discounters and off-price chains, as well as Sears, Penney and Ward, gain access to national brands. One intrachain consolidation, between Dayton Hudson's Dayton's and Hudson's divisions, was arranged to give the combined divisions greater buying clout and stronger private labels.

Macy's continued to lead the flock in performance. Profits were up 37.7% on a sales gain of 16.4%, and same stores grew at a 14.5% clip. The retailer is emphasizing expansion into newer markets, southeast Florida and Texas. Meanwhile, its Macy's-California division was scooping up market share after Liberty House closed down its California stores (which Macy's bought) and Federated shuttered its six-unit Bullock's-North. Macy's also plans to enter the New Orleans market, along with Lord & Taylor, by 1986.

Quiet but solid Dillard's posted 15.3% same-store increases despite Mervyn's entry into its Texas market. It also acquired Associated Dry Goods' unprofitable Stix, Baer and Fuller stores in St. Louis to expand its horizons.

Besides divesting itself of Stix, Baer and Fuller and The Diamond, ADG consolidated its H&S Pogue division with L. S. Ayres to strengthen market share in the Midwest and to increase operating efficiencies of the divisions. ADG, too, continued to push private label. Most of its divisions carry at least 18% store brands, with Lord & Taylor presenting 30% of its mix in private label.

Most department stores achieved their best sales gains from soft lines, including private label, but Allied was an exception—best sales increases in the corporation came from hard lines. That chain will continue to concentrate on whichever offers the best profit margins in either hard or soft lines, including its tradeup program and private labels.

Another quiet achiever, Mercantile, saw established stores post record sales and earnings. The chain will continue to focus on less competitive secondary markets, where it thrives, with an emphasis on soft goods, private label and consumables.

Despite the improved outlook for department stores, the more diversified chains are pinning their hopes on more profitable specialty store or low-margin operations. Dayton Hudson's pilot off-price program last year, Plums, was shut down early in 1984, although the chain plans to launch another specialty store division this year. Federated, despite strong performances from its department store divisions, especially Abraham & Strauss and Rich's, will concentrate on more lucrative investments such as Mainstreet, its soft lines department store chain, closely modeled after Dayton Hudson's Mervyn's. □

Big 3 well armed for retail battles

The Big 3—Sears, Penney and Montgomery Ward—are retailing's equivalent of the world's super powers. And in '83, these giants, letting loose their big guns, accounted for 23.2% of the $163 billion in sales reported by the nation's Top 100 chains.

A main weapon in their arsenals has been their remodeling/repositioning strategies. New emphasis on upgraded merchandise, more exciting presentation and more logical adjacencies are all vital elements in

Macy stores produce the highest operating profit per gross square foot.

Electronics chains reap biggest sales gains

Company	1982 Sales (000 omitted)	1982 Stores	1983 Sales (000 omitted)	1982 Stores	% Sales change
1. Tandy/Radio Shack	$2,032,555	8,516	$2,475,188	8,868	+ 21.7
2. Toys "R" Us	1,041,735	144	1,319,642	169	+ 26.7
3. Western Auto	546,000	227	558,000	216	+ 2.2
4. Child World	283,893	79	360,000	90	+ 26.8
5. Wards Electronics	245,900	100	359,000	97	+ 46.0
6. Herman's	275,000	95	317,000	102	+ 15.3
7. OTASCO	291,000	284	303,000	288	+ 4.1
8. Spencer Gifts	247,566	435	287,948	435	+ 16.3
9. Oshman's	247,264	180	283,238	186	+ 14.5
10. Kay Bee Toy & Hobby	183,000	361	281,100	456	+ 53.6
11. Silo	175,000	68	275,000	72	+ 57.1
12. House of Fabrics	180,155	564	230,641	662	+ 28.0
13. Lechmere	188,000	6	227,000	6	+ 20.7
14. Fabri-Centers	210,289	593	209,399	641	− 0.4
15. Lionel Leisure	210,893	56	198,233	56	− 6.0
16. Pier 1 Imports	165,300	274	186,300	246	+ 12.7
17. Pacific Stereo	NA	NA	172,000	81	NA
18. White Stores	168,000	81	160,000	81	− 4.8
19. Federated Group	88,243	16	136,234	20	+ 54.4
20. Trader Horn	40,000	7	100,000	12	+150.0
Totals[1]	6,820,793	11,651	8,268,923	12,703	+ 21.2

[1] *Excludes Pacific Stereo* *NA-Not available*

Source: *Chain Store Age* research/annual reports

GOURMET
DEMONSTRATION

Store-of-the-future *merchandising helped Sears boost operating earnings by 41%.*

changing consumer perceptions of these chains.

In a recent speech, Sears chairman/ceo Edward Telling stated an imperative that applies to all three: "A company must risk to grow."

In taking risks, all three companies produced positive results in '83, increasing sales and earnings. For the first time in four years, Ward reported a profit, spurring company president Stephen Pistner to speculate about the chain's eventual rebound as one of retailing's best companies.

Penney, taking perhaps the biggest risk when it decided to drop several major categories and concentrate on higher-margined soft lines, is resolutely pursuing its changeover. In '83, the company remodeled 40 stores and opened 13 new ones.

Over the next five years, the nation's No. 3 retailer plans to spend $2.5 billion for capital improvements, including reformating 40 to 60 stores each year. In '84, this program will include 34 of the chain's largest and most productive units.

Sears' much heralded "store of the future" is now operational. At year end, 12 stores had either been opened or retrofitted into the prototype. The company has announced a budget of $1.7 billion to remodel 600 stores and open 62 new units over the next five years.

By the end of '84, 107 stores, equal to one-third of the volume of full line class "A" stores, will have been remodeled.

While no exact budget is available for Ward, the chain is expected to continue annual expenditures of about $30 million for the next several years to update the stores to its Impac II mold.

Recently, Pistner announced that a new home store prototype—encompassing home furnishings and housewares—was being tested. If results are positive, Pistner says the concept could be rolled out to all stores (exclusive of Jefferson Ward) within 45 days, indicating that this once slumbering giant has finally achieved the ability to implement quick, decisive action.

While retailing remains the dominant business, both Penney and Sears are eying diversification.

In addition to remodeling, the chains are upgrading merchandise lines. While Ward is retreating from some of its less successful private labels and beefing up better branded merchandise, Penney and Sears are developing upscale private labels. Sears' Arnie and Cheryl Tiegs lines are doing well, while Penney's Halston III collection is doing better than expected. It will be expanded into men's and soft home furnishings this year.

While retailing remains the dominant business, both Penney and Sears are eying diversification. Sears is rapidly expanding its financial services through its Sears Financial Network which is a combination of Allstate, Coldwell Banker, Dean Witter and Sears Savings Bank.

Penney augmented its insurance subsidiaries with the purchase of a Delaware-based bank, giving the company the flexibility to offer additional financial products and services.

Sears also continues to experiment with specialty retailing. Its Business Systems Centers—now a 50-store chain—will expand to 100 by year's end. Sales for '83 exceeded plan by almost 50%. Another 40 stores will open in '85.

A second specialty venture, Sears Paint and Hardware Stores, opened in '83. There are currently five stores in this test program.

During the year just ended, Sears purchased majority interest in its Canadian subsidiary, Simpsons-Sears Ltd.

After one full year in operation, Sears World Trade is steadily building a worldwide network for general trade with programs designed to stimulate the flow of goods and services. ☐

Discounters trading up

Although "upscaling" is in danger of becoming a retailing cliche, the word still aptly describes the most powerful influence on the discount store industry in 1983. Discounters were perfectly positioned to take advantage of last year's surge in consumer spending with a mix that tended more toward soft goods, brand names and quality private label than at any other time in the short history of the industry. Moreover, the dramatic effect these adjustments had on gross margins and earnings has deepened the industry's commitment to a strategy which is reshaping this tier of retailing and forcing many to rethink traditional definitions of the word "discounter."

The success of the upscalers has wrought changes throughout discounting. As they trade up, targeting a niche just below department stores, upscale chains are creating room below them which traditional discounters are moving to fill.

K mart emerged as the nation's largest retailer of computers priced under $500 and now has a fashion coordinator to oversee its apparel presentations. T.G. & Y. has pinned its hopes on a prototype which gives more of a fashion look to apparel, cosmetics and jewelry. Even downscale Heck's favored its rural, county-seat customers with a greater selection of fashion apparel, including knock-offs of famous label activewear in '83.

All of this upgrading helped discounters increase the productivity of existing units at a time when the number of suitable new store locations remained slight. Most chains which completed ambitious expansion plans in 1983 did so primarily through acquisitions.

Woolco's 336 stores began coming on the market in early 1983 and proved a boon to several chains, including Wal-Mart, which took 30 of these stores and staked out a new market in New Orleans in the process.

Ames snapped up 42 former Kings stores, a big bite for a chain which at the time operated only 126 units, and by year-end the chain had converted most of those units to its format. Target headed West, opening former FedMart stores in California and Arizona, while Bradlees debuted in the Washington-Baltimore market with stores acquired from Memco.

As the discount store industry slowly matures, major chains continue to look to newer, more rapidly developing segments of retailing for diversification. Wal-Mart pushed into the cash and carry warehouse business and announced in November that its first unit was already profitable, while Zayre moved closer to its own entry into the field, which is rapidly becoming cluttered with independents.

Despite all of this excitement about the cash and carry business, K mart clearly displayed the most aggressive diversification program in the year. Not only did K mart increase its off-price apparel chain, Designer Depot, and purchase another restaurant chain, but the company took another step beyond

Big-city Macy trailed by small-town Mercantile, Dillard

Company	% Change sales	% Change op. inc.	Op. inc. % sales	Avg. sales per store	Sales per gross sq. ft.	Op. inc. per gross sq. ft.	% Op. inc. return on assets	% Change compound sales '78-'83	% Change compound op. inc. '78-'83
Allied	+12.9[1]	+47.6	8.7	$13,278,485[1]	$ 92[1]	$ 8.68	12.6	+[illegible]	+14.2
Associated Dry Goods[1]	+ 7.3	+21.4	9.4	14,768,984	95	8.93	21.4	+ 8.6	+22.6
Carter Hawley Hale[1]	+17.6	− 9.6	5.0	19,219,354	107	5.29	11.6	+ 9.2	− 3.2
Dayton Hudson[1]	+ 9.9	+36.1	10.5	27,479,630	147	15.43	18.0	+ 4.8	+ 6.2
Dillards	+19.1	+28.1	11.4	12,938,702	101	11.46	21.4	+20.7	+27.9
Federated[2]	+11.1	+27.8	10.4	19,094,479	137	14.16	17.2	+ 9.5	+ 8.3
R. H. Macy	+16.4	+31.0	12.4	37,493,449	153	18.90	22.7	+13.6	+29.3
May Co.[1]	+12.6	+21.5	10.2	20,897,902	99	10.14	15.6	+ 7.3	+ 7.8
Mercantile	+13.8	+22.8	10.6	20,198,236	161	16.99	18.5	+12.0	+16.9
Composite	+12.8[1]	+26.7	9.8	19,158,654	118	11.67	17.1	+ 9.5[1]	+12.5

[1] *Dept. stores only*
[2] *Dept./specialty stores only*
Source: *Chain Store Age* research/annual reports

Sears edges out a rejuvenated Montgomery Ward

Company	% Change sales	% Change op. inc.	Op. inc. % sales	Avg. sales per store	Sales per gross sq. ft.	Op. inc. per gross sq. ft.	% Op. inc. return on assets	% Change compound sales '78-'83	% Change compound op. inc. '78-'83
Penney	+5.8	+ 11.1	8.7	$10,233,144[3]	$ 81[2,3]	$ 8.99	14.1	+4.0	+9.3
Sears[1]	+8.8	+ 40.9	5.6	18,001,970[2]	130[2]	10.06	16.9	+2.6	−2.3
Ward	+7.5	+147.2	8.0	12,558,559[2]	84[2]	9.64	11.6	+4.2	+1.9
Composite	+7.7	+ 37.1	6.9	13,907,939[2]	103[2]	9.54	14.6	+3.3	+2.2

[1] *U.S. merchandising only* [2] *Excludes catalog sales* [3] *Metro stores only*
Source: *Chain Store Age* research/annual reports

Wal-Mart top discounter; Bradlees, Target lead upscalers

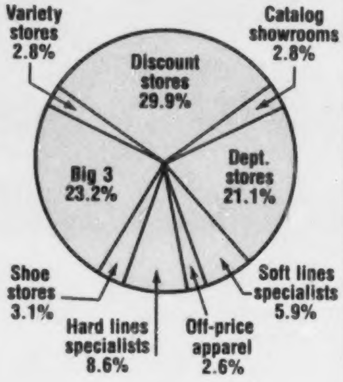
Company	% Change sales	% Change op. inc.	Op. inc. % sales	Avg. sales per store	Sales per gross sq. ft.	Op. inc. per gross sq. ft.	% Op. inc. return on assets	% Change compound sales '78-'83	% Change compound op. inc. '78-'83
Ames	+53.6	+85.1	5.6	$ 4,258,263	$ 92	$ 4.91	16.2	+21.5	+20.3
Bradlees	+36.0	+59.4	6.8	10,152,918	117	7.93	19.2	+19.1	+26.6
Duckwall-ALCO	+46.6	+54.7	8.3	2,998,471[1]	85	7.06	18.2	+17.1	+16.5
Gold Circle/Richway	+20.4	+66.0	4.0	12,235,802	113	4.48	10.0	+13.0	+12.7
Heck's	+ 8.9	+15.4	5.8	3,214,133	73	4.25	10.7	+14.0	+ 0.7
Jamesway	+25.3	+59.7	6.1	5,709,219	99	5.98	16.5	+15.6	+14.4
K mart	+11.3	+80.3	4.5	8,824,597[1]	135	6.07	10.3	+10.0	+ 6.2
Rose's	+25.3	+80.8	5.1	3,441,021	95	4.86	19.3	+10.6	+15.9
Target	+29.3	+17.8	5.7	16,765,591	172	9.73	14.1	+28.3	+23.6
Venture	+16.7	+45.3	5.5	16,204,082	138	7.57	12.8	+11.5	+29.4
Wal-Mart	+38.2	+47.7	7.6	7,823,821	150	11.46	21.5	+39.0	+44.3
Zayre[1]	+17.7	+65.0	4.8	7,018,989	98	4.68	14.9	+ 9.2	+18.7
Composite	+19.0	+60.2	5.3	8,268,586	127	6.82	12.9	+14.4	+14.1

[1] *Discount Stores only*

Source: *Chain Store Age* research/annual reports

The Top 100 retailers

$163,858,527,000



Source: *Chain Store Age* research

general merchandise retailing when it unveiled an ambitious expansion plan for its insurance subsidiary.

Most diversification activity, however, remained in the hands of a few chains, while the remainder of the industry devoted its resources largely to new opportunities in discounting. With consumers continuing to show a preference for better quality merchandise and more attractive stores, it's likely that the upgrading efforts which so dominated the industry last year will continue through 1984. ☐

Specialty chains go upscale

The trend for specialty chains in 1983 and into 1984 often resembled a Monopoly game, with property trading and fast-changing strategies the main features. The driving force behind all the activity could be attributed in part to increased volatility in home computers and electronics, the success of off-price retailing and a new-found market in upscale baby-boomers.

Toy retailers in 1983 discovered that video games were the wave of the past. Cole National's Child World Children's Palace chains saw electronic volume drop with traditional toys feeling renewed vigor.

Top 100 chain stores, 1983

Rank	Company	1982 Sales (000 omitted)	1982 Stores	1983 Sales (000 omitted)	1983 Stores	% Sales change
1	Sears[1] (Chicago)	$18,778,800	831	$20,438,700	813	+ 8.8
2	K mart (Troy, Mich.)	16,772,200	2,370	18,597,900	2,547	+10.9
	• K mart	16,192,000	2,117	18,023,000	2,160	+11.3
3	J. C. Penney (N.Y.)	11,414,000	2,053	12,078,000	2,014	+ 5.8
4	Federated[2] (Cincinnati)	6,423,200	390	7,215,900	424	+12.3
	• Bloomingdale's	680,500	12	787,900	14	+15.8
	• Abraham & Straus	650,500	15	731,800	15	+12.5
	• Burdine's	582,800	23	630,300	25	+ 8.2
	• Foley's	597,500	14	625,900	15	+ 4.8
	• Gold Circle	501,300	50	590,100	17	+17.7
	• Bullock's	517,900	26	588,900	28	+13.7
	• Rich's	430,100	17	509,100	17	+18.4
	• Lazarus	389,300	17	420,400	17	+ 8.0
	• Richway	321,800	30	401,000	31	+24.7
	• Filene's	118,800	9	151,200	14	+27.3
	• The Children's Place	69,300	89	103,300	114	+49.1
	• Levy's	39,300	2	37,600	2	− 4.3
5	Dayton Hudson (Minneapolis)	5,660,729	980	6,963,300	1,075	+23.0
	• Target	2,412,400	167	3,118,400	205	+29.3
	• Mervyn's	1,350,200	92	1,688,900	109	+25.1
	• Hudson's	683,800	19	728,900	20	+ 6.5
	• Dayton's	437,300	16	514,300	16	+17.6
	• B. Dalton	374,300	662	445,100	701	+18.9
	• Lechmere	188,000	6	227,000	6	+20.7
	• Diamonds	143,000	13	159,800	12	+11.7
	• John A. Brown	86,100	6	81,600	6	− 5.2
6	Montgomery Ward (Chicago)	5,584,000	389	6,003,000	375	+ 7.5
	• Jefferson Ward[3]	525,000	50	550,000	48	+ 4.8
7	F. W. Woolworth (N.Y.)	5,124,000	5,124	5,456,000	5,276	+ 6.5
	• U.S. Woolworth	1,707,000	1,263	1,824,000	1,230	+ 6.7
8	Wal-Mart (Bentonville, Ark.)	3,376,252	541	4,666,900	646	+38.2
9	May Dept. Stores (St. Louis)	3,653,900	1,468	4,211,800	1,584	+15.3
	• Venture	680,300	47	794,000	51	+16.7
	• May California	654,500	34	725,100	34	+10.8
	• Hecht Co.	415,300	23	477,300	23	+14.9
	• Famous Barr	363,500	15	419,100	16	+15.3
	• Volume Shoe	319,000	1,279	429,400	1,389	+34.6
	• Kaufmann's	268,600	10	301,900	11	+12.4
	• May-Cleveland	189,000	7	212,400	10	+12.6
	• Meier & Frank	176,500	8	203,700	7	+15.4
	• G. Fox	152,600	10	174,100	8	+14.1
	• O'Neill's	140,100	10	155,600	10	+11.1
	• May D&F	136,100	10	148,100	11	+ 8.8
	• Strouss	100,500	9	103,600	8	+ 3.1
	• May-Cohen's	57,900	6	67,500	6	+16.6
10	Associated Dry Goods[3] (N.Y.)	3,188,858	247	3,717,827	318	+16.6
	• Caldor	925,191	79	1,100,000	95	+18.9
	• Lord and Taylor	564,000	39	630,000	40	+11.7
	• J. W. Robinson (Calif.)	415,000	21	470,000	21	+13.2
	• Loehmann's	260,000	61	290,000	67	+11.5
	• L. S. Ayers	255,000	13	275,000	18	+ 7.8
	• Sibley	164,000	14	172,000	14	+ 4.9
	• Horne	160,000	13	170,000	13	+ 6.2
	• Denver Dry Goods	115,000	12	128,000	12	+11.3
	• Hahne	104,000	8	112,000	8	+ 7.7
	• Goldwater's	91,000	9	102,000	9	+12.1
	• Robinson's (Fla.)	74,000	7	84,000	7	+13.5
	• Stewart's	66,000	7	70,000	7	+ 6.1
	• Powers	45,000	7	48,000	7	+ 6.6
11	Allied Stores[3] (N.Y.)	3,215,634	533	3,675,873	570	+14.3
	• Jordan Marsh (NE)	410,000	14	470,000	16	+14.6
	• The Bon	370,000	35	430,000	36	+16.2
	• Joske's	340,000	28	400,000	28	+17.6
	• Stern's	310,000	15	350,000	16	+12.9
	• Maas Bros.	270,000	19	300,000	19	+11.1
	• Jordan Marsh (Fla.)	240,000	14	260,000	15	+ 8.3
	• Brooks Bros.	180,000	34	210,000	38	+16.7
	• Pomeroy's	120,000	14	130,000	14	+ 8.3
	• Miller & Rhodes	110,000	22	120,000	22	+ 9.1
	• Bonwit Teller	110,000	13	125,000	14	+13.6
	• Donaldson's	100,000	9	118,000	9	+18.0
	• Garfinkel's	90,000	10	100,000	10	+11.1
	• Miller's	80,000	11	90,000	12	+12.5
	• Read's	70,000	5	75,000	6	+ 7.1
	• Block's	70,000	9	75,000	9	+ 7.1
12	Carter Hawley Hale[3] (L.A.)	3,054,704	1,026	3,632,002	1,085	+18.9
	• Broadway So. California	720,000	40	815,000	40	+13.2
	• Emporium Capwell	482,000	21	570,000	21	+18.2
	• Neiman-Marcus	420,000	18	510,000	20	+21.4
	• John Wanamaker's	355,000	16	415,000	16	+16.9
	• Waldenbooks	345,000	807	407,000	843	+18.0
	• Weinstock's	180,000	12	215,000	12	+19.4
	• Thalheimer	179,000	25	220,000	26	+22.9
	• Holt Renfrew	165,000	17	180,000	17	+ 9.1
	• Broadway Southwest	120,000	10	145,000	10	+20.8

Responding to the shakeout in low-end home computers, Cole will aggressively pursue software sales in 1984 and pull back from hardware.

While Toys "R" Us tracked electronics sales at 17% of 1983 volume, a decrease of only 1% from the year before, expansion plans for 1984 include increasing its Kids "R" Us children's apparel chain to eight to 10 units by year's end.

Among the computer specialists, Best Products recently sold its six-unit Data Base computer store chain to On Line Microcenters. Service Merchandise has expressed dissatisfaction with its eight-unit Computer Shoppe venture. In the microcomputer marketplace, Tandy's Radio Shack continues to lose market share while increasing unit sales.

The big action was reserved for off-price retailing, and if it happened to attract upscale baby-boomers, all the better. Lionel, poised to re-emerge from Chapter 11, tested sharply priced children's apparel in 12 Philadelphia stores and harbors plans for more. Retailer heavyweight K mart opened 29 Designer Depot off-price apparel units, and more are on the boards for '84.

In November, K mart entered the fast growing off-price housewares competition with a Birmingham, Mich., Accents prototype. U.S. Shoe converted the recently purchased Merchant's Linen Warehouse into The Home Front, and added housewares to its Front Row apparel units. Cleveland, Ohio-based Fabri-Centers plans to open its first off-price housewares store in the fall. Jeans retailer The Gap acquired 13 Pottery Barns in the New York Metropolitan Area.

The brisk activity in upscale discounting has not escaped the attention of Dayton Hudson, which has turned out a new Lechmere prototype and may soon venture out of its New England base. The Minneapolis-based retailer will also expand its successful specialty store division with yet another entry into the discount housewares fray.

Overall, industry insiders predict 1984 should see a continuing trend toward off-price specialty merchan-

Top 100 chain stores, 1983

Rank	Company	1982 Sales (000 omitted)	1982 Stores	1983 Sales (000 omitted)	1983 Stores	% Sales change
13	R. H. Macy[3] (N.Y.)	$2,979,931	92	$3,468,144	93	+16.4
	• Bambergers	900,000	23	1,055,000	23	+17.2
	• Macy's New York	900,000	16	1,045,000	17	+16.1
	• Macy's California	750,000	21	880,000	22	+17.3
	• Davison's	225,000	13	270,000	13	+20.0
	• Macy's Midwest	200,000	19	215,000	18	+ 7.5
14	Melville (Harrison, N.Y.)	2,623,928	5,016	3,169,036	5,234	+20.8
15	BATUS[2,3] (Louisville)	2,467,135	178	3,145,058	196	+27.5
	• Saks	740,000	34	836,000	38	+13.0
	• Marshall Field	618,000	20	675,000	21	+ 9.2
	• Gimbels-East	417,000	20	470,000	20	+12.7
	• Frederick & Nelson	200,000	15	228,000	15	+14.0
	• Kohl's	140,000	22	211,000	31	+50.7
	• Gimbels-Milwaukee	184,000	11	200,000	11	+ 8.7
	• Gimbels-Pittsburgh	148,000	7	160,000	7	+ 8.1
16	Zayre (Framingham, Mass.)	2,139,616	617	2,613,667	753	+22.2
	• Zayre	1,615,999	267	1,902,146	275	+17.7
	• Hit or Miss/T. J. Maxx	190,000	264	267,000	356	+40.5
17	Tandy Corp. (Fort Worth)	2,032,555	8,518	2,475,188	8,868	+21.8
18	Wickes (San Diego)	2,638,215	N/A	2,875,085	2,800	+ 9.0
19	Household Merchandising (Chicago)	2,926,900	3,768	2,872,000	3,664	− 1.9
	• T.G. & Y.	2,121,100	901	2,057,467	812	− 3.0
	• Ben Franklin	825,000	1,679	859,000	1,685	+ 4.1
20	Best Products (Richmond, Va.)	1,581,650	202	2,081,328	218	+31.5
21	Lucky[2] (Dublin, Calif.)	2,054,100	1,029	1,992,700	1,062	− 3.0
	• Gemco[2]	1,381,000	80	1,286,000	76	− 6.9
22	McCrory Corp. (N.Y.)	1,741,000	1,792	1,826,000	1,800	+ 4.9
	• McCrory	760,000	718	818,000	716	+ 7.6
	• Lerner	682,000	790	699,000	796	+ 2.5
	• OTASCO	291,000	284	303,000	288	+ 4.1
23	Belk	1,495,000	360	1,650,000	350	+10.4
24	Mercantile[3] (N.Y.)	1,428,305	85	1,625,958	86	+13.8
	• Gayfers	250,000	12	285,000	12	+14.0
	• McAlpin's	240,000	9	270,000	9	+12.5
	• Jones	150,000	7	170,000	7	+13.3
	• Castner Knott	140,000	10	160,000	10	+14.3
	• Joslins	125,000	8	145,000	9	+16.0
	• Gayfers/Montgomery Fair	115,000	6	130,000	6	+13.0
	• JB White	100,000	6	112,000	7	+12.0
	• Bacon's	95,000	6	105,000	6	+10.5
	• Lion	80,000	3	90,000	3	+12.5
25	W. R. Grace (N.Y.)	1,325,000	613	1,547,000	568	+16.8
26	Service Merchandise (Nashville)	1,195,283	139	1,458,008	173	+22.0
27	Brown Group (St. Louis)	1,246,033	2,531	1,354,780	2,987	+ 8.7
28	Toys "R" Us (Rochelle Park, N.J.)	1,041,735	144	1,319,642	178	+26.7
29	SCOA (Hills) (Canton, Mass.)	1,155,051	811	1,304,579	874	+12.9
30	Fred Meyer (Portland)	1,065,000	68	1,214,100	68	+14.0
31	Bradlees (Braintree, Mass.)	871,636	106	1,182,815	127	+35.7
32	The Limited (Columbus)	721,394	825	1,085,890	937	+50.5
33	Edison Bros. (St. Louis)	915,900	2,114	1,021,500	2,175	+11.5
34	Meijer (Grand Rapids)	885,000	50	990,000	58	+11.9
35	U.S. Shoe Corp. (Cincinnati)	767,648	2,630	971,621	2,704	+26.6
36	G. C. Murphy (McKeesport, Pa.)	822,282	422	872,151	403	+ 7.1
37	Dillard's (Little Rock)	711,323	65	847,465	66	+19.1
38	Rose's (Henderson, N.C.)	661,903	237	829,206	193	+25.3
39	Nordstrom's (Seattle)	612,944	36	787,804	36	+28.5
40	INTERCO (St. Louis)	685,700	847	693,900	551	+ 1.2
41	Super Valu[2] (Green Bay)	581,500	291	676,521	308	+16.3
	• Shopco	389,500	36	481,405	39	+23.6
	• County Seat	192,000	255	196,116	269	+ 1.6
42	Ames (Rocky Hill, Conn.)	422,806	136	647,256	168	+53.1
43	Petrie (Secaucus, N.J.)	566,682	871	625,575	966	+10.3
44	Cole National (Cleveland)	500,319	1,700	617,256	1,698	+23.4
45	Western Auto (St. Louis)	546,000	227	558,000	216	+ 2.2
46	Cook's United (Maple Hts., Ohio)	580,954	116	555,465	53	− 4.4
47	Strawbridge & Clothier (Philadelphia)	471,900	30	545,400	30	+15.6
	• Clover[3]	183,000	17	215,000	18	+17.5
48	Hartmarx (Chicago)	456,000	348	538,000	400	+17.9
49	H. J. Wilson (Baton Rouge)	458,178	75	514,408	72	+12.3
50	Alexander's (N.Y.)	469,781	16	511,336	15	+ 8.9

dising, with retailers keeping a hungry eye on both the baby-boomer's pocketbook and his desire for upscale merchandise.

The only potential downtrend, according to one retailer, is in computer specialty stores. "As computers move toward becoming a mature product category," he says, "there will be a shakeout of the less experienced retailers, and the business will be left to the traditionally talented merchandiser." ☐

Commitment keys variety store gains

For those committed to the variety store, 1983 was a good year.

Woolworth, the largest chain with 1,230 domestic units, benefited from a full year of commitment as the only general merchandise chain in the corporate portfolio of F. W. Woolworth. With the demise of Woolco in late 1982, topsiders devoted time, energy and money to new concepts for the variety units.

They paid off with an 18.2% earnings increase generated by just a 6.7% sales boost. The chain devised prototypes for its diversified store sizes and began a department by department planogram process.

McCrory continued its opportunistic growth pattern by picking up 12 Rasco stores last year and 17 Neisner stores this year. Sales increased 7.6% while operating income skyrocketed by 56.6%.

At T.G. & Y., G. C. Murphy, Duckwall-ALCO and K mart, however, variety stores have been relegated to attrition status. When leases come due more often than not the stores have been shuttered. T.G. & Y. closed nearly 90 stores last year. Murphy's variety stores slipped in sales 0.1%. At Rose's, all but two of the chain's 55 variety stores were sold to Variety Wholesalers.

Two quasi-variety-discount chains turned in some of the best gains of '83. Family Dollar rang up a 47% increase in net income on 27.5% higher sales, while Dollar General's 33.5% profit gain came from a 19.5% sales jump. ☐

Top 100 chain stores, 1983

Rank	Company	1982 Sales (000 omitted)	1982 Stores	1983 Sales (000 omitted)	1983 Stores	% Sales change
51	Pay 'n Save (Seattle)	$ 444,612	80	$ 502,432	85	13.0
52	Fedco (Santa Fe Springs, Calif.)	402,236	8	500,000	8	+24.3
53	The Gap (San Bruno, Calif.)	444,929	545	480,515	550	+ 8.0
54	Heck's (Charleston, W. Va.)	399,283	96	435,058	122	+ 8.9
55	General Mills (Minneapolis)	429,100	241	430,000	222	+ 0.2
56	Jamesway (Secaucus, N.J.)	332,513	68	416,773	78	+25.3
57	Pamida (Omaha)	360,000	166	406,000	164	+10.8
58	Woodward & Lothrop (Washington, D.C.)	357,539	16	403,901	16	+12.9
59	C. R. Anthony Co. (Oklahoma City)	396,000	296	396,000	289	N/C
60	Consumers Distrib.[1] (Edison, N.J.)	309,813	N/A	369,661	134	+19.6
61	Dollar General (Scottsville, Ky.)	290,089	883	346,655	1,184	+19.5
62	Carson Pirie Scott (Chicago)	323,414	24	343,000	24	+ 6.0
63	Brooks Fashion (N.Y.)	211,540	500	336,325	616	+59.0
64	Time Square (Brooklyn)	301,000	21	328,000	20	+ 8.9
65	Zody's (L.A.)	352,000	50	321,000	41	− 8.8
66	Duckwall-ALCO (Abilene, Kan.)	216,283	114	317,065	160	+46.6
67	Schottenstein Stores (Columbus)	273,995	26	316,941	31	+15.7
68	Liberty House (Hawaii)	310,264	65	303,716	58	− 2.1
69	Elder-Beerman (Dayton)	262,220	197	289,228	206	+10.3
70	Spencer Gifts (Pleasantville, N.J.)	247,506	435	287,940	435	+16.3
71	Oshman's (Houston)	247,264	180	283,238	186	+14.5
72	SE Nichols (N.Y.)	262,000	42	282,600	42	+ 7.9
73	Family Dollar (Charlotte, N.C.)	207,419	529	264,440	635	+27.5
74	Prange (Prangeway) (Green Bay)	221,840	64	255,000	72	+14.9
75	Hess's (Allentown, Pa.)	215,000	29	253,885	29	+18.1
76	D. H. Holmes (New Orleans)	240,716	29	253,844	37	+ 5.4
77	Glosser Bros. (Gee Bee) (Johnstown, Pa.)	223,752	51	252,880	37	+13.0
78	Higbee (Cleveland)	215,193	12	245,552	11	+14.1
79	Charming Shoppes (Bensalem, Pa.)	174,272	298	238,298	366	+36.8
80	Miller Wohl (Secaucus, N.J.)	222,375	310	236,764	350	+ 6.5
81	B. Altman (N.Y.)[3]	210,000	6	235,000	6	+11.9
82	Pic 'N' Save (L.A.)	177,738	80	227,130	85	+27.8
83	Grand Central (Salt Lake City)	256,000	32	223,841	30	−12.6
84	Burlington Coat (Burlington, N.J.)	136,517	31	220,300	42	+60.8
85	Fisher's Big Wheel (New Castle, Pa.)	193,000	69	215,000	70	+11.4
86	Jacobson Stores (Jackson, Mich.)	189,277	18	213,048	19	+12.6
87	Bi-mart (Eugene, Ore.)	186,831	30	207,180	33	+10.9
88	Bergners (Peoria, Ill.)	182,000	25	205,000	25	+12.6
89	Ann and Hope (Cumberland, R.I.)	185,000	5	205,000	6	+10.8
90	Lionel Leisure (Philadelphia)	210,893	56	198,233	56	+ 6.4
91	The Price Company[2] (San Diego)	114,259	7	198,196	11	+73.5
92	Jewelcor (Wilkes-Barre, Pa.)	189,000	25	195,000	24	+ 3.2
93	Howland-Steinbach, Hochschild Kohn (Woodbridge, N.J.)	185,000	38	193,000	37	+ 4.3
94	J. Byron's (Miami)	168,400	43	187,900	48	+11.6
95	Pier 1 Imports (Fort Worth)	165,300	274	186,300	246	+12.7
96	Boscov's (Reading, Pa.)	165,000	9	186,000	10	+12.7
97	Godchaux/Maison Blanche (Baton Rouge)	155,800	6	182,100	5	+16.9
98	Wieboldt Stores (Chicago)	179,139	14	181,404	13	+12.6
99	Syms (N.Y.)	147,181	11	179,231	11	+21.8
100	Younkers (Des Moines)	166,630	29	179,000	29	+ 7.4
	Totals	$144,589,991	59,204	$163,858,527	65,146	+13.3

Divisional totals are not duplicated in the tabulation of United States general merchandise chain totals. [1] *U.S. only.* [2] *General merchandise sales only.* [3] *Divisional sales estimated.*

Source: *Chain Store Age* research/annual reports

Sears advances with stores of the future

The impact of Sears' *remodeling programs has carried over into 1984.*

For Sears, the store-of-the-future program is producing positive results in the present. Domestic sales topped the $20 billion mark for the first time while net income reached an all-time high of $654 million from United States operations. When combining foreign retailing and domestic credit results, Sears' sales totaled $25.1 billion and produced a net income of $781 million.

The impact of the chain's remerchandising and remodeling programs has carried over into 1984. During the first quarter, earnings increased about sevenfold over '83.

Home appliances (which have had significant sales increases for more than 18 months), coupled with home fashions from the Open Home program and men's apparel led by the Arnie and Boston Athletic Club collection, produced some of the best sales performances.

The nation's largest retailer continues to rely on self-developed brands for the most important part of its growth, though it has markedly added to its mix national brands such as Levi's, AT&T and Wilson sporting goods, in areas where a brand commands a large market share.

It is in the store of the future that the Chicago-based company's plans are most excitingly displayed. At the end of last year, Sears had built from scratch seven stores of the future and remodeled five out of its 813 units. The company will accelerate the transformation of its store fleet this year, opening up 14 new stores and renovating 85 stores. By 1989, Sears expects to have 674 of its largest stores converted to the new format. Sears had 112.5 million gross square feet at year's end.

Aside from merchandising, operational improvements have been added to the system. Price look-up systems were in 479 stores at year end and there are plans for 225 more stores to be placed on line in '84. The stores represent 98% of Sears' retail volume.

Checkout time has been cut in half to an average 90 seconds, while express package pickup is spreading throughout the chain.

Sears continues to experiment with its five-store paint and hardware store test. At the same time, it is rapidly expanding its Business Systems Centers to 100 by year's end and plans another 40 in '85.

Margins improve with future stores

Aside from pumping up sales, the store of the future program is having a positive effect on gross margins. They increased 0.6% to 34.3%. Combined with a similar 0.6% reduction to 28.6% for selling and administrative expenses ratio to sales, Sears ended the year with a 40.9% increase in operating income.

The percentage of merchandise sold directly through the store has gone up steadily in the last three years. It hit 72.4% last year, a full 1.1% higher than '83. Catalog merchandise sales have declined from 19.9% in '81 to 18.1% last year. To pump up the catalog, Sears has revamped its big books, trying to give them some of the excitement of the stores of the future concepts.

Credit operations, which two years ago lost $83 million, earned $144 million last year, while foreign ventures posted their second straight loss, adding $17 million to a $42 million shortfall in '82. Sears is gradually removing itself from Central and South American operations while increasing its Canadian holdings

Year	Sales[1] (000 omitted)	Profits[1] (000 omitted)	Stores[2]
1979	$16,813,000	$362,100	849
1980	16,831,000	219,500	854
1981	18,229,000	352,300	861
1982	18,779,000	455,900	831
[illegible]	[illegible]	[illegible]	[illegible]
'79-'83 change	+21.8%	+8.1%	−36 (−4.2%)

[1] Fiscal year ended Dec. 31, 1983.
[2] U.S. Merchandising only.
Source: CSA research

Department program boosts net sharply

K mart will accelerate *its program to upgrade merchandise mix.*

For K mart 1983 may well be remembered as a pivotal year, a turning point in the evolution of the nation's largest discount chain.

Almost all key financial indicators improved sharply, including net income, which jumped 88% to $492.3 million on sales of $18.6 billion. Gross margins improved a full point to 27.7% as K mart succeeded in getting its customers to trade up in key fashion categories. The chain's cost-control efforts, aided by an improved information network and better ordering systems, also bore fruit in the form of a decline in SG&A to 23.1% of sales.

As the success of many new sets it was testing became apparent, K mart rushed to install these departments in existing stores. In all K mart redid some 2,100 departments, adding 715 home electronics centers, 502 Kitchen Korners, 91 domestic centers and 50 brass gift departments. Toward the end of the year K mart also debuted a prototype that pulls together these and other new programs.

K mart's focus has clearly shifted away from opening new stores and toward increasing the productivity of existing units. The chain will debut only 30-35 stores this year, about half of last year's total of 70 new stores. But 126 construction teams will work through the year to remake many existing stores. By year end some 200 units will have been converted to the new prototype, and hundreds of others will have received at least some of the new department presentations.

K mart also intensified its diversification efforts and already plans to rapidly expand some of its major new endeavors. Designer Depot, the chain of off-price apparel stores, grew to 29 units by year end, and another 30 are planned this year.

Restaurants are becoming a significant part of K mart's portfolio. The company increased its restaurant holdings this year with the purchase of Bishop Buffets, a chain of 30 cafeterias headquartered in Cedar Rapids, Iowa. Furr's Cafeterias, another subsidiary of K mart, added 20 units and closed the fiscal year with 117 restaurants. Shortly after the year ended K mart tried to purchase Associated Hosts, a restaurant chain, and although the deal fell through it demonstrated K mart's commitment to expand into the dining-away-from-home market.

That K mart is intent on rapidly expanding its retail holdings is evident from several other abortive ventures. In late April, K mart and Hechinger terminated a joint effort to open warehouse home center stores because of what were described as difficulties in blending the operations of the two retailers. At about the same time, K mart denied that it had reached an agreement to purchase Waldenbooks from Carter Hawley Hale, although K mart chairman Bernard Fauber admitted considering the chain of book stores as an acquisition.

K mart's challenge in 1984 will clearly be to build on top of last year's impressive figures. Although year-to-year comparisons will be difficult, chairman Bernard Fauber believes the merchandising programs will meet the challenge. ☐

Meldisco performance hikes equity income

Income K mart received from companies in which it has an equity interest increased 7% to $62.5 million in 1983.

K mart Insurance Services boosted revenues 18% to $112.9 million. However, costs associated with the company's rapid expansion of in-store financial services held down earnings. K mart's equity in the income of insurance operations rose just 4.1% to $5.1 million.

The big contributor to growth in equity income was Meldisco, a subsidiary of Melville Corp. K mart owns a 49% interest in Meldisco, which operates licensed shoe departments in K mart stores. Equity in income from Meldisco rose 21.2% to $40 million for K mart.

Year	Sales (000 omitted)	Profits (000 omitted)	Stores
1979	$12,731,000	$358,000	2,089
1980	14,204,000	261,000	2,242
1981	16,527,000	220,300	2,374
1982	16,772,000	261,800	2,370
1983*	18,598,000	492,300	2,381
'79-'83 change	+46.1%	+37.5%	+292 (+14.1%)

*Fiscal year ended Jan. 25, 1984.
Source: *CSA* research

Changes in the method of translating foreign currency to United States dollars helped reduce the contribution of G. J. Coles & Coy, an Australian retailer, to K mart's balance sheet. K mart's equity in income from Coles declined 25% to 17.2 million, although net income at Coles rose 4.2% to $73 million.

Fashionability is the key at No. 3

J. C. Penney, on a fast track to becoming the Bloomingdale's of middle America, increased its gross margin to 33.3% during 1983, the highest level in five years. The more fashion-forward, soft-lines-oriented merchandise mix (including upgraded private labels like Halston III and Lee Wright) contributed to an 8.6% increase in profits from continuing operations to $467 million on a sales gain of just 5.8% to $12.1 billion.

In '84, Penney is moving to consolidate its gains with a Salute to Italy promotion and a new employee bonus program geared to sales and profits.

During '83, Penney continued its opportunistic course of repositioning its stores (and closing less profitable units), spending $276 million on modernizing existing stores including 40 larger regional mall units. These 40 stores pulled down a 15% year-to-year sales increase in December, the first full month after all construction was completed. In addition, the four stores modernized in '82 reported sales increases of 18% for the year just ended.

Another 34 high-volume stores will undergo the facelift in '84. In fact, from '84 to '88, Penney will spend $1.5 billion to reformat 40-60 metropolitan units each year.

Metropolitan stores with 13 additional units increased sales 8.1% to $8.2 billion during '83, also boosting sales per net square foot to $176. While soft lines stores showed a sales decline of 6.4% to $834 million, the group closed 34 stores during '83 yet managed to increase sales per net square foot to $163 from $155.

Penney's geographic stores produced a sales increase of 7.1% to $1.5 billion, while catalog centers contributed $1.8 billion, a 7.6% increase.

This year the company plans to take a giant leap toward fashion respectability when it debuts its Salute to Italy in mid-September. The promotion, usually associated with trendy, upscale stores, will feature apparel and home furnishings at a more fashionable taste level and with higher price points.

***Penney's concentration** on fashion helped boost profits.*

A national advertising budget of $10 million has been earmarked for the promotion. Penney chairman William Howell, already very optimistic about the success of the promotion, says, "The company is looking forward to the development of another major national event during '85 to carry forward the momentum." ☐

Analysts upbeat on Penney bonus plan

Year	Sales (000 omitted)	Profits[1] (000 omitted)	Stores
1979	$10,352,000	$270,000	2,111
1980	10,824,000	283,000	2,119
1981	11,369,000	393,000	2,077
1982	11,414,000	430,000	2,046
1983[2]	12,078,[illegible]	457,[illegible]	2,014
'79-'83 change	+16.7%	+73.0%	−97% (−4.6%)

[1] From continuing operations.
[2] Fiscal year ended Jan. 28, 1984.

Source: CSA research

A new employee bonus program tied to sales and profits has analysts confident of substantial sales increases during '84 for the nation's No. 3 retailer.

Instituted in February, the bonus plan has two parts. Sales personnel earn bonuses based on departmental sales increases; store managers and merchandise managers are on an incentive program based on increases in gross margin dollars.

A bonus program in the late 1970's based solely on sales increases left Penney in an overinventoried position. The new program, with the tie-in to gross margin dollars, is expected to keep stock levels in line. Gross profit alone is not enough, financial planners emphasize.

Penney's bonus program is part of its plan to compete more directly with department stores by using customer service to set it apart. Sales help is encouraged to approach shoppers and be helpful. A Penney internal publication notes that the eight ugliest words a customer can hear are "If it's not out [on the sales floor], we don't have it."

With the emphasis on giving customers what they want, however, store managers and floor personnel may be working at cross-purposes under the new bonus plan. While managers are encouraged to keep inventory levels low, sales personnel may be motivated to ask merchandisers to order items shoppers have asked for so that they can increase departmental sales.

Dept. stores lead Federated to record '83

Federated Department Stores slashed spending and capitalized on the improving economy in many of its major markets to boost earnings impressively in 1983 after a decline in profits the previous year. Net income for the company rose 33.9% to $311.7 million. Sales increased 12.9% to $8.69 billion.

One key to Federated's return to growth was a strong performance by its department and specialty stores, which alone recorded greater operating profits than the entire company registered in 1982. Sales for the department and specialty stores rose to $6.22 billion, while earnings increased to $644.3 million. The profits-to-sales ratio of these stores, which account for 89% of Federated's earnings, rose to 10.3%. Federated was able to craft that kind of ratio because of strong performances in several divisions, including Abraham & Straus and Rich's. Sales were reported sluggish in several of the company's Southeastern and Midwestern divisions, however.

Federated's mass merchandise group, which consists of the Richway and Gold Circle chains, boosted its sales 20.5%. Operating earnings for the mass merchandisers grew to $39 million from about $24 million in 1982. That 62.5% gain helped the group increase its profits-to-sales ratio to 3.9%.

After a spending spree in '82, Federated reduced its capital expenditures 29% in '83, spending $325 million. Federated opened 60 stores during the year and closed eight, for a net gain of about 1.5 million sq. ft. of retail space. The openings included 10 department stores, 25 Children's World specialty stores and only two mass merchandise units. In '82 Federated debuted 21 Gold Circle and Richway stores.

Late in the year Federated closed its six-store Bullock's northern California division. Bullock's did not have sufficient penetration in its major markets to produce an adequate return on investment, say Federated executives. Rather than increase spending to better position the chain, Federated decided to deploy its assets to other, potentially more lucrative, investments.

Strong showing by *dept., specialty stores was key to growth at Federated.*

One of those new ventures is Mainstreet, the soft goods department store chain that Federated plans to roll out at the end of 1984. The company hopes to open 12-15 of these units in Chicago within the next five years and will also take the concept to another market.

Federated also plans to accelerate the growth of its off-price division, Filene's Basement, which was spun off from Filene's this year. A new Filene's Basement prototype, more upscale than older Filene's Basement stores, debuted in 1983. In all, Filene's Basement opened four units this year. ☐

Comparable-store volume grows 6.7%

Led by its department and specialty store group, Federated posted a comparable-store gain of 6.7% in 1983. The company's 15 department and specialty store chains recorded an 8.1% gain in sales for stores operating for more than one year. The group was led by Rich's, which boosted sales 18.3% to $509.1 million through 17 stores, the same number of units it operated in 1982.

Abraham and Straus also posted a record year. Although it opened no stores in 1983, the chain increased sales 12.4% to $731.8 million. Federated's largest department store division, Bloomingdale's, recorded a 15.7% sales gain to $787.9 million. Those totals include the results of one unit opened during the year.

Comparable store gains at Federated's two mass merchandisers, Gold Circle and Richway, totaled 6.5%. Richway boosted sales 24.1% and posted record operating profits. Total volume at Gold Circle grew 16.4% but earnings dipped slightly.

Year	Sales[1] (000 omitted)	Profits[1,2] (000 omitted)	Stores[1]
1979	$4,923,700	$465,000	249
1980	5,319,900	487,400	282
1981	5,935,600	569,600	281
1982	6,423,200	527,000	390
1983[3]	7,215,900	683,000	424
'79-'83 change	+46.5%	+46.8%	+175 (+70.2%)

[1] Excludes supermarkets.
[2] Operating profits.
[3] Fiscal year ended Jan. 28, 1984.
Source: CSA research

Target, Mervyn's growth boosts company sales

Expansion of Dayton Hudson's successful Target and Mervyn's formulas helped the corporation post sales and earnings gains of 23% over 1983. Volume rose to $6.9 billion and net earnings were $243 million.

***Target sales got** a boost from its southern California entry.*

Although the Target discount store division showed only 8% same-store sales increases (below the company average of 11%), its entry into southern California boosted division sales to $3.1 billion. Mervyn's, which showed 13% same-store increases, also entered a new market, Texas, and accounted for $1.7 billion in sales. Together, these two divisions added 55 stores and accounted for 69% of corporate sales. Operating profit was up 18% at Target and 21% at Mervyn's.

This year both divisions lost key executives. Bruce Allbright succeeded Floyd Hall as Target's chairman in February. Last year, Mervyn's broke off its Southwestern stores as a separate division, with Mark Cohen named president of the South Central district. In April of this year, Mervyn's president, Wallace Kalina, resigned. His duties have been assumed by a team of executives.

Department and specialty stores showed the most improvement. Department stores, which had an 11% same-store sales increase, posted a 36% increase in operating profits over 1982. The specialty store division, led by B. Dalton Bookseller and Lechmere, had an overall 14% same-store sales gain, with a 33% increase in operating profits.

Emphasis in 1984 will be on expanding market share in Mervyn's and Target's new markets and on expanding the specialty store division. Lechmere has turned around with a new prototype and may venture out of its New England home base, possibly by 1986. More than 20 Pickwick Book stores, the discount arm of B. Dalton Bookseller, will be launched in 1984.

Dayton Hudson recently merged two of its department stores, Dayton's in Minneapolis and Hudson's in Detroit, into the Dayton Hudson Department Store Company. This new division, which consists of 36 stores, is expected to do $1.2 billion in '84. The reason given for the merger was to provide the two chains with greater buying clout and to strengthen private label brands. P. Gerald Mills, corporate executive vp, is chairman/ceo of the new division, headquartered in Minneapolis. ☐

Undaunted, DH continues specialty store thrust

Year	Sales (000 omitted)	Profits (000 omitted)	Stores
1979	$3,384,800	$126,500	661
1980	4,033,500	138,200	831
1981	4,942,900	159,500	925
1982	5,660,729	196,368	961
1983*	6,963,265	243,187	1,079
'79-'83 change	+105.7%	+92.2%	+418 (+63.2%)

*Fiscal year ended Jan. 28, 1984.
Source: *CSA research*

Last year, Dayton Hudson's "elegant" off-price chain, Plums, was the talk of the town. In February, less than a year after its debut, the initial four stores of what was to be a nine-store test were sold to California-based Ross Stores.

Analysts agree that whatever the Plums experiment cost Dayton Hudson (which had allocated $30 million for the division start-up), it was just a drop in the bucket compared to the corporation's earnings. Did Dayton Hudson give Plums a chance? Analyst Jeff Edelman at Dean Whitter thinks the company simply realized it couldn't make a go of it. Fred Wintzer, first vp at Lehman Brothers, agrees, but also argues that Plums' problem was that it made too much of a splash.

"You have to sneak into the off-price business," says Wintzer. "But Dayton Hudson did it with such an amount of fanfare that accounts got pressured not to sell to them [Plums]. It's not the kind of business you get into by opening the first store as front-page news."

Dayton Hudson may have learned a lesson. Its next reported specialty store test, in home furnishings, is not being publicized.

Dayton Hudson remains committed to expanding its specialty store businesses, which showed 14% same-store increases last year, the highest of any division. "Dayton Hudson is heading toward becoming predominantly a specialty store company," says Bruce Grier, analyst at Drexel Burnham. Grier expects the corporation to derive 50% of sales from its specialty store chains, including Mervyn's, compared to one-third of sales in 1983.

Ward turns profit a year ahead of schedule

Although Montgomery Ward produced the lowest profits-to-sales ratio of any major general merchandise chain, 1983 was still a banner year for the troubled retailer. For the first time in four years the company made money, a year sooner than anyone expected, and on the strength of that performance president Stephen Pistner is already talking about rebuilding the chain into one of the nation's 10 best retail companies.

Ward earned $40 million on total revenues of $6.646 billion. The year before it lost $93 million while producing revenues of $6.143 billion. The chain has kept up that momentum through the first quarter of its current fiscal year. During the period Ward cut its losses from $19 million last year to just $4 million.

When he came to Ward three years ago, Pistner envisioned a revitalization program that included two broadly defined goals: to trim expenses and increase productivity in a chain whose operations had grown unwieldy, and to develop centralized merchandising to respond more quickly and sensibly to emerging trends. Today Ward is undisputably a leaner, more aggressive company.

By its own estimates Ward has trimmed about $100 million in expenses over the last three years. The chain has cut some 20,000 jobs, including about 4,300 positions in 1983. Three years ago Ward operated 113 distribution centers in a network that was complicated and at times redundant. Now it is supplying its stores through just 35 centers, and sales per square foot at distribution facilities have grown in two years from $259 to $433.

Even as it has consolidated operations and closed unprofitable stores, Ward has reworked its merchandising strategy, focusing on brand name goods and dividing up its massive stores into smaller, easy-to-shop boutiques. Company executives are already crowing about the success of that strategy. A year after it started carrying Sony televisions, the chain emerged as one of the top five retailers of the line. Sales of athletic apparel, meanwhile, doubled in one year.

Ward is focusing *on brand names and easy-to-shop boutiques.*

Ward's stores are clearly becoming more productive. In just one year the number of stores producing sales in excess of $20 million grew from 31 to 53. Sales per retail square foot rose 11.1% to $159 in 1983. The most dramatic improvements have come in the most recently remodeled stores—60 units that were redone last year. Some of those units have reportedly nearly doubled their sales.

These are impressive results for a chain that lost $415 million from 1980 through 1982. But much still needs to be done. This year Ward plans to remodel 60 stores at a cost of $500,000 per unit. The chain is crafting a new prototype, but it will take up to three years for the complete new merchandising strategy to emerge. In the meantime it will have to continue closing unprofitable stores and contending with units that are poorly located and outdated.

Still, the company earned $40 million this year, on the strength of a $53 million profit for the fourth quarter. There's a new momentum at Ward, and 1984 is clearly a crucial year for the chain. ☐

Stores record 71.9% of Ward's revenues

Sales through its 375 stores accounted for 71.9% of Montgomery Ward's revenues in fiscal 1983. Volume in stores rose 8.9% to $4.78 billion.

Year	Sales (000 omitted)	Profits[1] (000 omitted)	Stores
1979	$5,251,000	$ 54,000	419
1980	5,497,000	(162,000)[1]	411
1981	5,742,000	(160,000)[1]	389
1982	5,584,000	(93,000)[1]	369
1983[2]	6,003,000	40,000	375
'79-'83 change	+14.3%	−25.9%	−44 (−10.5%)

[1] Parentheses denote a loss.
[2] Fiscal year ended Dec. 31, 1983.
Source: *CSA* research

Catalog sales increased just 4.1% to $1.19 billion as the company trimmed by 88 the number of catalog facilities. At year-end Ward had 2,163 such facilities, including just 99 conventional catalog stores. Five years ago the company operated 220 conventional units.

Ward's insurance group boosted revenues 4.1%, closing out the year holding insurance policies valued at $7.22 billion. The group produced income of $17 million, down from $18 million the year before.

Bad debt forced Ward to write off about $104 million through its own credit service. That figure represented the lowest such loss the company has incurred in the last four years. Since 1982 it has worked to reduce bad debt by tightening credit policies and targeting a younger consumer, one who uses credit less frequently and pays more quickly than Ward's traditional credit customers.

Specialty chains shore up Woolworth

After a shaky 1982, F. W. Woolworth Company was back on track in '83. Chainwide sales rose 6.5% to $5.5 billion, and earnings rose 43.9% to $118 million. However, when discontinued operations (U.S. Woolco and British F. W. Woolworth plc.) are factored in, the company suffered a net loss of $353 million.

Domestic sales rose 9.1% while foreign sales, expressed in United States dollars, were up only 3.1%. All of Woolworth's divisions except *J. Brannam achieved operating income increases. Domestic operating income rose 20%, and foreign operating income was up 19%.

After ridding itself of the unprofitable U.S. Woolco discount chain, Woolworth had been concentrating on its variety end specialty stores. Last year, worldwide specialty store operations accounted for one-quarter of Woolworth's volume and more than half of total operating profits.

Specialty store operations will be expanded this year. The Kinney division will receive 215 new stores, mostly Foot Locker and Lady Foot Locker units. Woolworth acquired the Little Folks children's wear chain last year, but will mainly expand that division's Kid's Mart off-price stores.

Harold Sells, president/ceo, notes that Woolworth has been "one of the most successful chains in the country in developing specialty stores," adding, "We feel we have the knowledge and expertise to do a good job in this field." Because specialty stores have been showing a higher return on investment (Woolworth has a goal of 11%) than the variety stores, the emphasis will be on expanding, developing and acquiring successful chains.

At the same time, Woolworth officials feel that some of the strongest profit growth will come from the U.S. Woolworth operation. To strengthen the variety stores, Woolworth plans to continue a refurbishing program. Last year, 10% of the variety stores were redone along the lines of the Cherry Hill, N.J., prototype. A similar number is slated for conversion this year.

The departure of Woolworth division president/ceo Jack Parker will have no effect on the program already in place, says a store spokesman. Parker, who resigned this March, has been replaced by Robert Jennings, former executive vp/merchandising. ☐

The ***U.S. Woolworth*** *operation is expected to show profit growth.*

Problems under control

The two underperforming chains in Woolworth's corporate roster, *J. Brannam and Richman Brothers, show signs that they, too, many soon be contributing to corporate profits, possibly by year-end.

Theodore T. Bierman, who took on the duties of president/ceo of *J. Brannam in August, says he expects that chain to be in the black in "the not too distant future." Although the off-price family apparel chain ended the fiscal year with a $7 million loss, business picked up dramatically in the fourth quarter of '83, says Bierman, and the loss was less than Woolworth officials had originally projected. For the beginning of this year, same-store sales were showing "dramatic double-digit increases," says Bierman.

Woolworth's other problem child, the Richman Brothers men's wear chain, is also under new leadership. William Gaudreau, who took over as president in October, said sales in the last quarter of '83 increased 24% over the same period in '82, and gross profits for the quarter were ahead 30%. Gaudreau is sure the chain will be in the black by '85, thanks to remodeling and changes in the merchandise mix. Results from Anderson-Little, the family apparel chain, helped the Richman division achieve operating profits of $10 million in '83.

Year	Sales (000 omitted)	Profits (000 omitted)	Stores
1979	$4,824,000	$126,000	4,647
1980	5,102,000	140,000	4,966
1981	5,075,000	97,000	5,197
1982	5,124,000	82,000	5,124
1983*	5,456,000	118,000	[illegible]
'79-'83 change	+13.1%	−6.3%	632 (+13.6%)

*Fiscal year ended Jan. 31, 1984.
Source: *CSA* research

Another record year at Wal-Mart

New growth, *same-store sales helped Wal-Mart to a record year.*

Sam Walton isn't making any rash promises this year. Walton found himself hulaing his way down Wall Street in March when Wal-Mart exceeded its pretax margin goal of 8% by 0.05%—a feat Walton said couldn't be done.

Last year's record level was achieved through a combination of factors, including improved earnings at former Kuhn's stores, an improved economy and favorable weather. It looks unlikely that Wal-Mart will shatter that record this year. But perhaps Walton should hold on to his grass skirt.

Despite some new competition—a revived Roses in Kuhn's old territory and Duckwall-ALCO, which took over Majic Marts on Wal-Mart's western frontier—Wal-Mart went blazing ahead. Sales were up 38.2% over 1982, increasing from $3.376 billion to $4.666 billion in 1983. The compound sales growth rate for the last five years equaled 39%. Net income shot up 58% to $196.2 million in '83, 47.8% compounded annually since '79.

Some of this growth came from new operations: 91 discount stores were added last year, including 43 former Woolco sites, and three Sam's Wholesale Clubs and one DOT deep-discount drug store. However, even same-store sales for the final period increased by 15%, compared with 11% increases for the previous year.

Selling, general and administrative expense-to-sales ratio was at a record low last year, 19.9% compared to 21.2% in '82. Wage expense ratio dropped by 0.5% and advertising expense ratio by 0.4%. Inventory turnover increased to a record 4.51 turns, compared to a 3.91 turnover rate in '82.

Warehouse expansion is running proportionate to store expansion, says president Jack Shewmaker. The new distribution center in Alabama, serving the former Kuhn's stores, is performing up to expectations, and another warehouse will open in Iowa. Thanks to increased computerization of warehouse operations, warehousing expense ratio declined.

All Wal-Mart discount stores four years or older will be updated to the current prototype format by 1985, says Shewmaker. Apparel departments, which generate higher gross margins, showed an excellent return on investment last year, Shewmaker notes. However, despite additional space devoted to apparel in the newest stores, the overall hard/soft ratio is likely to remain at 68%/32%, he adds. Emphasis will be given to growth categories such as electronics, telephones, large-size apparel and microwave cookware. Dresses and low-end sewing fabrics are being de-emphasized. Wal-Mart will beef up craft departments.

Sales for '84 are projected to exceed $6 billion, with the addition of 105 discount stores, at least six Wholesale Clubs and one more DOT. ☐

Low-margin stores cause gross-margin dip

Year	Sales (000 omitted)	Profits (000 omitted)	Stores
1979	$1,248,176	$ 41,151	276
1980	1,643,199	55,682	330
1981	2,444,997	82,794	491
1982	3,376,252	124,140	551
1983[1,2]	4,666,909	196,244	646
'79-'83 change	+273.9%	+376.9%	+370 +134.1%

[1] Fiscal year ended Jan. 31, 1983.
[2] Includes three Sam's Wholesale Clubs and 1 DOT drug store.
Source: *CSA* research

Lower gross margins at Wal-Mart's Sam's Wholesale Clubs (averaging only 12%) and at the one DOT deep-discount drug store, combined with increased promotional activity at the Wal-Mart discount centers, caused gross margins to drop by 0.4% in 1983. A further decline in gross margins is expected this year as Wal-Mart expands the Wholesale Club concept. In addition, the discount stores will be even more promotional this year as the chain aims to combat regional chains that are slashing prices to battle the Wal-Mart onslaught, says president Jack Shewmaker.

The Wholesale Club division reduced corporate pretax margins by 0.05% in 1983 and are expected to cut pretax margins 0.2% in 1984.

That's the bad news—the only bad news. The three Wholesale Club units opened last year turned profitable almost immediately. Six to eight wholesale stores are planned for this year, and if those prove as successful as the first crop, expansion will be stepped up, say industry analysts. The units, which average 100,000 sq. ft., are expected to do $50 million each within the first year of operation. Merchandise will remain hard goods-oriented, with about one-third of the mix devoted to food and snack items in institutional sizes.

One more DOT drug store will be opened by year's end.

May's dept. stores scored *double-digit operating income gains.*

Gains in all divisions propel May's earnings

Profits at May Department Stores rose 33% in 1983 on the strength of double-digit gains in operating income in each of the company's divisions. Earnings for the diversified retailer hit $187 million on sales of $4.2 billion.

Venture Stores once again produced the largest percentage gain in earnings at May as the chain's revitalization program continued on target. Operating profits at Venture rose 45.2% to $44 million. That gain came on top of 1982's earnings increase of 78.6% and put the discount chain on solid footing depsite the slow rate of economic recovery in many of its Midwestern markets. With sales up 16.7% to $794 million, Venture's operating profits-to-sales ratio grew to a respectable 5.8%. Just five years ago the division's ratio was a dangerously low 1.5%.

Although department stores continue to contribute the largest share of corporate earnings, Venture provided 10.3% of May's profits this year, from 8.9% a year ago. The chain added four units and remodeled four, closing out the year with 151 stores. This year it will open six stores, with expansion concentrated within a 500-mile radius of the chain's St. Ann, Mo., headquarters. Another eight stores are planned for 1985 as part of a $150 million program by May to accelerate the growth of its increasingly productive discount chain.

The department store group provided 70.9% of corporate sales and 71.9% of earnings. Operating profits for the department stores rose 21.4% to $306 million on a 12.8% sales gain. That was welcome news for the company, which saw its department store operating profits rise just 4.8% in 1982 because of pressure on margins caused by excessive promotional activity. The profits-to-sales ratio of the department store group increased to 10.2%, up from 9.5% the previous year.

May's department stores produced those gains despite the addition of just three stores in 1983 and the closing of one small unit. The company has now opened seven department stores in the past two years and plans another 16 over the next three years.

Volume Shoe, which operates 1,407 self-service shoe stores, registered another strong year, boosting earnings 43.9% on a 34.4% gain in sales. The company posted earnings of $59 million and sales of $429 million. Store expansion slowed slightly from the torrid pace of 1982, when 190 stores were added. Volume Shoe opened 110 stores last year and plans about 165 units this year.

In the last five years May's earnings have grown at a compound annual rate of 13.2% despite the concentration of many of its stores in the Midwest. The company's strength in the face of a poor economy has led some Wall Street analysts to predict that it will outperform the department store industry as a whole over the next several years as activity picks up in its major markets. "The industrial Midwest is becoming a plus for May as the economy there revives," says Value Line analyst Milton Schlein. ☐

Volume Shoe leads in same-store gains

Year	Sales (000 omitted)	Profits (000 omitted)	Stores
1979	$2,977,000	$113,000	984
1980	3,173,000	117,000	1,156
1981	3,413,000	126,000	1,272
1982	3,670,000	142,000	1,468
1983*	4,229,000	187,000	1,602
'79-'83 change	+42.1%	+65.5%	+618 (+62.8%)

*Fiscal year ended Jan. 28, 1984.
Source: *CSA* research

Volume Shoe produced the largest store-for-store sales gain among the May retail divisions. Sales in Volume Shoe stores operating for more than a year grew 13.4% in 1983. Venture's same-store sales, meanwhile, increased 9.1%, while the department store group registered a 10.2% gain in same-store sales.

Those sales gains in established stores helped May boost its pretax margin to 10.1% of sales, up from 9.2% the previous year. A reduction in interest expenses, which declined $1 million to $41.7 million also helped.

Expenses rose 14.1% as May completed the second year of its aggressive five year, $1 billion capital expenditures program.

ADG is poised to grow even higher

Six years of strategic planning aimed at reducing unproductive space, beefing up high-flying divisions and broadening its retail base paid off handsomely for ADG in '83.

Sales advanced 16.6% to $3.7 billion while net income jumped 47.3% to $115.5 million. Selling, general and administrative expenses as a per cent of sales fell 0.4% to 17.3% while gross margins rose 0.4% to 24.9%.

In addition, inventory shrinkage fell in both the discount and department store divisions. Department store shrinkage fell to 2.1% compared to 2.5% in '82 and an industry average of 2.6%. For discount stores, shrinkage was an almost invisible 0.3%, down from 0.8% the prior year and an industry average of 2.2%.

In keeping with past policies, ADG continued to consolidate its holdings. The Diamond, a two-store division in West Virginia, was sold. Later in the year Stix, Baer & Fuller, a 12-store chain headquartered in St. Louis, was sold to Dillard's for approximately $93 million. The division had been unprofitable for several years and had turned in poor results on sales of $133 million during the first three quarters of '83.

In addition, the five-store Cincinnati based H. & S. Pogue was consolidated into the 13-store L. S. Ayres group in order to strengthen market share and increase operating efficiencies.

The department stores showed a year-to-year increase of 7.3% in sales and 21.4% in operating profits. Four new stores were added during the year.

Private label merchandise is gaining consumer acceptance at ADG's department stores. About 18% of merchandise in stores (30% in Lord & Taylor) carries private labels. The portion of this merchandise will be increased.

The company has budgeted $110 million for capital expenses in '84, but for the future, most growth will be concentrated on the most profitable divisions. In '84 Lord & Taylor will open two stores.

ADG's Caldor units topped $1 billion during 1983.

During '85, Lord & Taylor will open an additional three units, J. W. Robinson will open one and Robinson's of Florida will add two. In '86 Lord & Taylor (and also Macy's) will target a new area—New Orleans, which is a relatively untouched market.

Analysts believe '84 should be a good year for ADG. Clusters of Midwestern stores still feeling the effects of the recession in '83 should feel the full impact of the recovery. Loehmann's will show a full year of operating results, and expansion will be slower, reducing start-up costs. ☐

Caldor sales top $1 billion

The 1981 acquisition of Caldor and the 1983 purchase of Loehmann's herded two prime upscale discounters into ADG's fold. In '83, this division contributed sales of $1.3 billion—about 35% of the corporate total.

It was an important year for Caldor. For the first time the 95-store chain's sales topped the $1 billion mark. Analysts estimate the company's sales increased 19% to $1.1 billion over the prior year's $925 million. Management notes Caldor's profits also continued to increase at a healthy rate.

The discount division as a whole contributed $86.3 million in operating profits, 27.5% of the corporate total of $313.6 billion.

During '83, Caldor opened 16 new stores, including first-time markets in Long Island, N.Y., and Baltimore, Md. In '84 the chain will open another eight units, additional locations in New York, Massachusetts and Maryland among them.

Loehmann's, which opened six stores during the year just ended, will add another six in '84. ADG management says the discount division will provide the major part of the chain's growth.

Year	Sales (000 omitted)	Profits (000 omitted)	Stores
1979	$1,783,212	$ 43,498	163
1980	1,952,239	51,764	167
1981	2,751,221	69,774	245
1982	3,186,658	78,414	247
1983*	3,717,827	115,520	318
'79-'83 change	+108.5%	+165.6%	+155 (+95.1%)

*Fiscal year ended Jan. 28, 1984.

Source: *CSA* research

Profitable but still disappointing results

General merchandise retailing returned to profitability last year, but the improvement was still far below Household Merchandising's historical levels of income, and, acknowledge corporate executives, even farther below the level the operations should attain.

On sales of $2.87 billion, the four nonfood retail operations (T.G. & Y., Ben Franklin, Coast to Coast and assorted furniture nameplates) returned $12.1 million in profits. The 0.4% return on sales compares unfavorably to the 1.7% figures posted in 1979 (itself an underachieving percentage), but is an improvement over the $14.9 million loss in '82.

The predominant transgressor has been T.G. & Y., 812 discount and variety stores strung across the Sunbelt's medium and small towns. Sales totaled $2.06 billion last year, a 3.1% decline from '82. After recording a $16.6 loss in '82, T.G. & Y. rebounded somewhat with a $2.8 million profit.

To effect the necessary turnaround at T.G. & Y. and Household Merchandising, a new executive team has been recruited. Led by new HM president/ceo Bernard F. Brennan, the organization has been heavily seeded with ex-J. C. Penney, Montgomery Ward and discount store retailers. Among the top 16 T.G. & Y. officers, only two are veterans of the chain.

T.G. & Y. is focusing more on its 535 discount stores and is formulating plans to make them, in Brennan's words, "contemporary stores that carry quality, brand name merchandise in dominance." T.G. & Y. expects to offer dominant assortments in children's apparel, soft home furnishings, domestics and consumer electronics.

Variety stores will be phased out as leases come due. Last year, 89 stores, mostly variety units, were closed.

On the plus side of the variety business, Ben Franklin appears to be poised for improved profitability. The franchisor has dedicated itself to developing retail programs to enhance its wholesale business rather than compete directly against other wholesalers.

A new program, STAR (Strategic Targeting and Repositioning), is addressing the complete store and not just individual departments. Ben Franklin hopes to remodel 1,000 stores over five years as the company seeks more of a uniform look.

Retail sales last year hit $859 million, a 4.1% improvement. Ben Franklin produced a modest profit last year vs. a loss in '82. Division president Michael McGinnity predicts that in 1985, Ben Franklin will record in excess of 15% return on equity, the corporate standard. ☐

T.G. & Y. is focusing *on contemporary stores that carry quality.*

Industry standards three-year goal

Household Merchandising president/ceo Bernard F. Brennan's goal for T.G. & Y. is to hit industry standards within three years. He has a long way to go.

T.G. & Y.'s sales per net square foot in '83 were $89, vs. about $120 for the industry. Earnings to sales of 0.014% fell short of the near 2% industry level.

To reach acceptable productivity, T.G. & Y. will concentrate on 60,000-sq.-ft. stores similar to its Aim for the Best units. Purchasing and distribution systems will be modernized.

The goal is to make T.G. & Y.'s profit contribution as significant as its sales input. Last year, its sales equaled 39% of Household Merchandising's total, but only 7% of its income.

Year	Sales[1] (000 omitted)	Profits[1] (000 omitted)	Stores[1]
1979	$2,445,400	$40,800	4,617
1980	2,670,600	23,100	4,619
1981	2,911,100	25,800	3,963
1982	2,926,900	(−14,900)	3,768
1983*	2,872,000	12,100	3,632
'79-'83 change	+17.4%	−70.3%	−985 (−21.3%)

*Fiscal year ended Dec. 31, 1983.

[1] Excludes Vons

Source: *CSA research*

Store improvements net improved results

Expansion and refurbishing *produced results at Zayre stores.*

Over the last five years Zayre has spent nearly $200 million on remodeling old stores, opening new ones, installing new systems and improving the quality of management. The results has produced consistent sales and earnings increases, and 1983 was no exception.

Sales rose 22.2% to $2.6 billion. But the real improvement is evident in the whopping 74.6% increase in net income to $61.4 million. Based on these advances, Moody's Investors Service raised the rating in Zayre's senior subordinated debentures to BAA-2 and its subordinated debentures to BAA-2.

Five-year compound net income is 35.2%—well above the corporate goal of 20%. In fact, the growth goal has been exceeded in each of the last five years except for '80, when Zayre converted to LIFO inventory accounting.

The discount stores kicked in the lion's share of sales and earnings—$1.9 billion in sales, an increase of 17.7% over the prior year. Comparable-store sales were up 14.4%. Operating income totaled $90.8 million, a 65% increase over '82.

Fueling these improvements was a capital spending budget of $76.3 million. New discount and specialty stores accounted for $35.1 million. The company also spent $8.4 million for electronic point-of-sale registers in all stores and $1.3 million for a system designed to track merchandise through the distribution facilities.

In '84 capital expenditures will increase 35% to $103 million, including the opening of 12 new discount stores. But the high levels will be maintained even after the company's existing stores are all updated, as the money will go to improving merchandise assortments and presentation throughout the chain.

With an eye to the future, Zayre is developing two new business units—specialty catalog and wholesale club warehouse stores. Response last year to Chadwick of Boston, an off-price women's sportswear catalog, has been better than expected. Several million catalogs will be distributed this year, although company executives say it will not make significant contributions for several years.

This summer, Zayre will open its first warehouse unit. Management is already in place and sites are being selected. A second unit may open in the fall. ☐

Specialty stores report mixed results

Zayre's two specialty off-price apparel chains, T. J. Maxx and Hit or Miss, reported sales of $711.5 million in '83, a 35.9% increase over the prior year.

At the same time, operating income hit $54.8 million—a healthy increase of 16.7% over '82 yet nowhere near the 54% increase earned between '81 and '82.

Overall, the specialty division is very healthy, with five-year compound operating income growth of 46.7%, though operating income as a per cent of sales decreased in '83 to 7.7% from 9% during the prior year.

While T. J. Maxx turned in exceptional results during the year just ended, Hit or Miss—the women's apparel chain—faltered. During the second half, unplanned markdowns were taken, producing results that were below management's expectations, says Maurice Segall, Zayre president/ceo. He adds that the chain simply didn't respond to trends quickly enough with the right merchandise.

But management believes the chain will rebound in '84. Hit or Miss has redirected its marketing strategy toward an older, more fashion-conscious shopper. Between 60 and 75 stores will be opened during '84, with an emphasis on downtown locations as well as off-price malls, regional centers and better strip centers.

Segall is very enthusiastic about T. J. Maxx, indicating that the chain's sales should reach $1 billion within two years. The company will open 35 new units during '84 with the potential over the next five or six years of reaching 300 stores and sales volume of nearly $2 billion.

Year	Sales (000 omitted)	Profits (000 omitted)	Stores
1979	$1,549,729	$16,643	528
1980	1,594,235	17,574	531
1981	1,797,139	22,147	567
1982	2,139,616	35,176	617
1983*	2,613,667	61,426	749
'79-'83 change	+68.7%	+269.1%	+221 (+41.9%)

*Fiscal year ended Jan. 28, 1984.
Source: *CSA* research

Carter Hawley Hale

Is the cure worse than the disease?

Just when it seemed that Carter Hawley Hale was turning the corner toward revitalized sales and earnings, The Limited appeared on the scene, engineering a takeover attempt that has sent the retailer reeling. In searching for an alternative, Carter Hawley Hale has been thrown into the arms of General Cinema Corp., cast now as a savior but with the potential to be a real thorn in its side.

Earnings were up 37.7% in '83 to $67.5 million on a 19% increase in sales to $3.6 billion. Comparable-store sales climbed 15%.

In January, the company announced it had formed a new division, headquartered in New York, to provide buying and merchandising services for all divisions. "Carter Hawley Hale Market Service will be a cornerstone in our overall corporate strategy of procuring distinctive merchandise for all our stores," says company chairman/ceo Philip Hawley, "to anticipate and respond to our customers' preferences."

Year	Sales (000 omitted)	Profits (000 omitted)	Stores
1979	$2,408,028	$69,062	753
1980	2,632,921	57,341	855
1981	2,870,735	44,762	948
1982	3,054,764	49,025	1,026
1983*	3,632,662	67,485	1,082
'79-'83 change	+50.9%	−2.3%	+329 (+43.7%)

*Fiscal year ended Jan. 28, 1984.
Source: *CSA* research

In addition, the company has made rapid strides in making its merchandise more current through timely markdowns. Analysts say improved divisional management is better suited to gearing up the company for aggressive growth to combat its weakened market share positions in key markets.

But the move by Columbus, Ohio-based Limited has put Carter Hawley Hale in a position where it could lose its star division—841-store Waldenbooks. The chain accounts for about 10% of corporate sales and earnings.

In defending itself against the takeover attempt, the CHH sold new issues of convertible stock amounting to 23% of the retailer's voting rights to General Cinema for $300 million and gave it the option to purchase the book chain for $285 million within six months. The agreement prohibits General Cinema from holding more than one-third of voting stock or from waging a proxy fight for seven years.

At presstime, the outcome is still uncertain. The stock sale is being investigated by the S.E C. and the Labor Department for possible violations. At the same time, Moody's Investor Service is reviewing the chain's debt rating. ☐

Rose's

Earnings soar for Sunbelt discounter

Rose's Stores continued to take the Sunbelt by storm during 1983, generating whirlwind sales and earnings. Sales increased 25.3% from $661.9 million in '82 to $829.3 million. Net income jumped a whopping 89.3% from $11.6 million to $21.2 million.

Much of the improved sales and profits are due to upgraded merchandise, refixtured presentation and an upscale new prototype. More emphasis is being placed on soft lines apparel sales through the redesigned store format. Customers now walk into the higher-margined apparel section first. New fixtures allow them to see more garments as well as more facings of each garment.

The new look has paid off for the discounter as sales per net square foot have increased from $86 in '81 to $107 in '83.

Last year, Rose's dropped the deadwood from its operation by selling its P. H. Rose variety stores. These stores accounted for about 5% of company sales and profits during '82, says Lucius Harvin III (Harvin was recently elected chairman/ceo by Rose's board, with Jack Edwards tapped to take over as company president). "The sale is not expected to have a material impact on the company's financial results," says Harvin. "We believe the sale will permit us to concentrate all our efforts on the discount stores."

In addition, the company offered a sale of 700,000 new shares of nonvoting Class B stock, producing net proceeds of about $15 million. The money is earmarked to continue expansion and remodeling plans. About 25 stores will be remodeled in '84, with 8-15 units opening during the year. "Our management team," says Harvin, "is looking forward to once again making Rose's stores the most profitable discount retailers in our part of the country." ☐

Year	Sales (000 omitted)	Profits (000 omitted)	Stores
1979	$497,747	$ 8,719	227
1980	526,288	6,348	235
1981	594,760	8,242	234
1982	661,903	11,559	238
1983*	829,286	21,886	193
'79-'83 change	+66.6%	+151.0%	−34 (−15.0%)

*Fiscal year ended Jan. 25, 1984.
Source: *CSA* research

LAY AWAY NOW!
LAY AWAY NOW!
LAY AWAY NOW!

***Rose's credits** an upgraded merchandise mix for improved figures.*

G. C. Murphy

Mart emphasis boosts profits

G. C. Murphy company sales for the year ended in January crept ahead only 6.1%, to $872 million from $822 million in 1982. There were 19 fewer stores in the current fiscal year.

Thanks to the increased emphasis on the Murphy's Mart discount stores (118 in '83 vs. 111 the previous year), however, earnings zoomed ahead 56.7% to $18.4 million. This was the company's second straight year of record earnings, which president/ceo Charles Lytle attributed to outstanding efforts by company personnel at all levels to offset adverse economic factors in many of Murphy's blue-collar markets.

The Marts contributed 68% of total sales in '83, compared to 65% in '82, and will add a larger share of sales and profits this year. Two new Marts will open this year, while 15 variety stores will be closed (24 were closed in '83). This reflects Murphy's ongoing program to close variety stores at lease terminations or whenever they become unprofitable. However, says a spokesman, the variety store base that remains has become much stronger as a result of the weeding-out process and new merchandising programs.

Murphy is in the midst of a merchandise and design upgrading effort. Marts will be getting new fixturing, including fingerwalls, swastikas and waterfalls, and apparel will be relocated to the center front of the stores. The company has changed its shoe lessee from SCOA to Morse in all discount stores as well as some variety stores in an effort to present more fashion-oriented merchandise.

***Discount stores paced** G. C. Murphy's record earnings.*

Two reformatted Murphy's Marts were opened in April with Murphy's FIND (Fashions in New Dimensions) test program. FIND includes a complete realignment of merchandise, with some experimental lines in wearables, says a store spokesman, and a broadening of brand names across the board. These same lines will also be placed in two nonconverted Marts to see how they fare without benefit of upgraded surroundings. ☐

Year	Sales (000 omitted)	Profits (000 omitted)	Stores
1979	$756,875	$ 9,854	467
1980	803,699	9,318	448
1981	817,823	4,878	435
1982	822,282	11,744	422
1983*	872,151	18,408	403
'79-'83 change	+15.2%	+86.8%	−64 (−13.7%)

*Fiscal year ended Jan. 26, 1984.
Source: *CSA* research

Cole National

Toy chain is sales leader

Traditional toys made a significant comeback in '83, fueling Child World/Children's Palace sales to an all-time high of $360 million, a 27.1% increase over results in '82.

For parent company Cole National, sales from all divisions totaled $617.3 million, up 23.4%. The 90-store toy supermarket chain accounted for 58.3% of total corporate sales, compared to 56.6% in '82.

Total net income was up 38.9% to $17.7 million.

Capital expenditures for '83 amounted to $21 million for new stores and remodelings, up substantially from $14 million the prior year. For '84 the budget is $32 million, mostly to support openings of Child World, Things Remembered and The Original Cookie Company.

During the year just ended, 11 Child World stores opened—incorporating a new prototype developed in '82 which features a race track aisle, upgraded fixtures and bright graphics. The layout emphasizes traditionally strong areas like juvenile furniture and bikes.

With continued remodeling and another 14 new stores scheduled for '84, about one-third of the toy stores will feature the new format by Christmas.

Electronics volume slowed during '83 (it equaled 22% of sales volume in '82), and the toy stores shifted to a more traditional merchandise mix. Same-store sales went ahead 13%, compared to 19%.

Year	Sales (000 omitted)	Profits (000 omitted)	Stores
1979	$158,030	$ 5,661	1,522
1980	173,992	6,705	1,607
1981	407,662	8,740	1,636
1982	500,319	12,720	1,673
1983*	617,256	17,665	1,738
'79-'83 change	+290.6%	+212.0%	+216 (+14.2%)

*Fiscal year ended Jan. 28, 1984.
Source: *CSA* research

While not dropping the high-tech category altogether, management is being cautious, taking a wait-and-see attitude toward the current electronics industry shakeout. The stores will continue to sell software, but there is no decision yet on hardware.

In December, the company entered an agreement with three banks to ensure financing for future growth and acquisitions. Including seasonal credit, Cole has $105 million available.

Early this year the company sold its Craft Showcase chain to Los Angeles-based House of Fabrics. The chain had been a sluggish performer, and company officials say its sale will not significantly impact future company sales or earnings. ☐

Bradlees

Topping the million-$ mark

Thanks to an impressive performance from stores in its new Washington, D.C./Baltimore market, which mainly impacted on fourth-quarter results, Bradlees' 1983 sales broke the million-dollar barrier. Sales of $1.18 million were up 36% over 1983 figures. Same-store sales results were up 10% over 1982.

Operating profits reached a record high of $80.4 million, up 59.4% from a year earlier. This follows an impressive earnings gain of 94.5% in 1982 over flat results for the previous three years.

Bradlees is by far the most profitable division in the Stop & Shop stable. While the Stop & Shop supermarkets division contributed more in sales ($1.425 million in '83), it accounted for only 17.5% of operating profits. The Bradlees discount stores brought in 79.2% of operating profits, up from 74.9% in 1982. The company's other general merchandise operations, the Charles B. Perkins Company and Off the Rax off-price stores, only added a 3.3% contribution, with Off the Rax suffering a loss for the year.

Year	Sales (000 omitted)	Profits (000 omitted)	Stores
1979	$ 540,057	$28,199	83
1980	634,286	15,720	89
1981	718,790	25,940	91
1982	871,636	50,474	106
1983*	1,102,815	80,460	127
'79-'83 change	+119%	+185.3%	+44 (+53%)

*Fiscal year ended Jan. 28, 1984.
Source: *CSA* research

The 21 new Bradlees stores opened last year (all in previously occupied buildings) set a company record. This year, only six to eight new stores are scheduled to debut as there are fewer opportunities for the company to capitalize on voids left in the market by the closings of chains like Two Guys and Memco. Bradlees will be concentrating on a remodeling program, aimed at bringing its successful discount department store design into older units.

Bradlees unveiled its latest prototype in May, which includes many features used in the Baltimore/Washington stores last year. Two remodeled stores received Gloria Vanderbilt shops with department store-style bed and bath displays. Bradlees kicked off the Vanderbilt merchandise in all stores at Easter. Newer stores will use wall displays for the collection, which represents a "highwater mark in bed and bath pricing" for the chain, says a spokesman. Older stores will simply present the merchandise on gondolas. ☐

Toys "R" Us

National borders won't stop growth

Toys "R" Us is launching new ventures in international waters buoyed by yet another year of record sales and earnings.

Sales were up 26.7% in '83 to $1.3 billion. Earnings kept on a steady growth pattern, climbing 43.9% to $92.3 million. Net earnings have averaged an annual growth rate of 40% since the company went public in 1978.

Comparable store sales rose 13.5% for the year. "We estimate that Toys "R" Us now has an approximate 12.5% share of the United States toy retailing market," says company chairman/ceo Charles Lazarus, "up from an 11% share in '82."

Home computers, video games and other electronic products accounted for 17% of total sales for the year, down 1% from 1983, but Lazarus feels children's educational software will be strong in '84.

Last year two off-price children's apparel stores, Kids "R" Us, opened. While the stores did not show a profit, Lazarus is confident that performance will improve during the current year. Between eight and 10 stores will be open before the fall back-to-school season.

***Toys "R" Us racked up** a year of record sales and earnings.*

Year	Sales (000 omitted)	Profits (000 omitted)	Stores**
1979	$ 480,317	$26,776	85
1980	597,332	28,893	101
1981	783,285	48,920	120
1982	1,041,735	64,162	144
1983*	1,319,642	92,317	169
'79-'83 change	+174.7%	+244.8%	+84 (+98.8%)

*Fiscal year ended Jan. 29, 1984.
**Toy stores only.
Source: *CSA* research

Expansion of the traditional toy stores will continue on a steady course. About 30 stores nationwide will open, including five or six units in a new market, Cincinnati, this year.

The new stores will add about 2,500 sq. ft. of space to the 25,000-sq.-ft. selling floor (existing stores will be remodeled to gain selling footage). The change is designed to produce more merchandise facings and permit a better display for large items like bikes, strollers and furniture.

Lazarus' eye is looking for larger markets than just the United States. Plans are well under way to open stores in Toronto and Britain through wholly owned subsidiaries, plus a joint venture with a company in Singapore. The first international store—a joint venture—debuted last fall in Kuwait and has exceeded management expectations. Additional stores are already being planned for the Middle East. ☐

Rapid-American

McCrory stresses high-volume stores

For the year ended Jan. 31, 1984, sales for the McCrory Stores division of the Rapid-American Corp. increased 7.6%, to $818 million, and operating profits were up 56.6%, to $75.5 million, over the previous year. At the same time, store count continued to drop.

Growth in sales and profits (which had declined during the previous fiscal year) was attributed to the emphasis on larger-volume stores. McCrory has been phasing out small-volume stores and concentrating upgrading efforts, including new fixtures and equipment, on higher-volume locations.

Last year McCrory took advantage of the improving economy in many sections of the country, and boosted sales and profits through attention to seasonal and promotional goods and by maintaining a better in-stock position.

McCrory attributes *growth to its larger-volume stores.*

This year, the variety store division will continue to upgrade its better stores and maintain a tight rein on payroll, markdowns, shrinkage and other expenses, says a store spokesman. It is also on the lookout for small chains or groups of stores to acquire, such as its recent acquisition of the Neisner stores in Florida and of Rasco. Meshulam Riklis, chairman of McCrory's parent, Rapid-American, is rumored to have a strong interest in the F. W. Woolworth Company.

Food-service operations in McCrory stores, which last year accounted for $50 million in sales, are getting beefed up via an agreement with the Roy Rogers restaurant chain. Six McCrory stores in the New York and Philadelphia markets will convert existing food operations into Roy Rogers franchises. Woolworth has also embarked on a similar venture with Burger King. ☐

Year	Sales[2] (000 omitted)	Profits[2,3] (000 omitted)	Stores[2]
1979	$619,000	$42,500	763
1980	674,000	43,400	751
1981	762,000	50,600	734
1982	760,000	48,200	723
1983[1]	818,000	75,500	719
'79-'83 change	+32.1%	+77.6%	−44 (−5.8%)

[1] Fiscal year ended Jan. 31, 1984.
[2] Variety stores only.
[3] Operating profits.
Source: *CSA* research

Mercantile

Sales and income hit new highs

Despite the closing of nine units last fall, Mercantile Stores boosted earnings 19% on a 13.8% increase in sales during fiscal 1983. Profits for the company, which operates department stores under 14 trade names, rose to $83.2 million on sales of $1.625 billion.

Mercantile ceased operations in one division, The Peoples Store, a seven-unit chain headquartered in Tacoma, Wash., and closed individual stores in Indiana and Illinois. Together those nine stores were contributing about 8% of company sales, but as a group they were only marginally profitable.

Mercantile partially offset those closings by opening two Joslins stores—one unit in Denver and another in Cheyenne, Wyo., to close the year with 77 stores. Those two new stores contributed $35 million in sales to the company's 1983 balance sheet.

Mercantile will concentrate *on boosting productivity.*

With nine units closed, Mercantile relied on its established stores to propel it to record sales and earnings. Sales from stores operating more than one year totaled $1.59 billion, an 11.3% gain over total company volume in 1982. The success of established units reaffirmed Mercantile's strategy of focusing on secondary markets and emphasizing soft goods, private labels and consumables while generally avoiding high-ticket hard goods. That strategy has helped Mercantile boost sales per square foot 10%-15% in each of the last three years.

Mercantile plans to continue concentrating on increasing the productivity of existing stores rather than opening units. A substantial part of the chain's $46 million in capital expenditures last year went to the renovation of six stores. This year the company will open just one store but has budgeted about $45 million for renovations and enlargements of older stores. ☐

Year	Sales (000 omitted)	Profits (000 omitted)	Stores
1979	$1,067,936	$42,606	84
1980	1,108,076	42,294	83
1981	1,269,491	57,895	84
1982	1,428,385	69,941	84
1983*	1,625,958	83,222	77
'79-'83 change	+52.2%	+95.3%	−7 (−8.3%)

*Fiscal year ended Jan. 31, 1984.
Source: *CSA* research

BATUS

Field's, Saks spur 31% income gain

Propelled by substantial profit gains at Marshall Field's, Saks and Kohl's, the BATUS retail group increased operating income 31% on a 27% sales gain in 1983. Income grew to $218 million for the 12 companies that comprise the retail group, while the combined sales of the group increased to $3.145 billion.

In its first full year as part of BATUS, Marshall Field's contributed 21.1% of the company's retail earnings. Operating income at Marshall Field's rose 30% to $46 million. Sales were ahead 9.3% to $675 million. Those gains were all the more impressive because they were built upon a 27% increase in earnings for 1982.

Under BATUS, Marshall Field's is continuing its penetration into Texas, begun in 1979. The company opened its third Texas store, the second in Houston, during 1983.

Saks and Kohl's were also solid performers for BATUS. Saks raised its operating income 26% on a 16% sales increase after reportedly registering a decline in earnings in 1982. It was one of the most aggressive divisions, opening four stores during the year in places as diverse as Connecticut, Texas, California and Louisiana. At year end it operated 38 stores.

Year	Sales[1] (000 omitted)	Profits[2] (000 omitted)	Stores
1979	$1,253,800	$ 77,800	84
1980	1,404,800	98,038	89
1981	1,577,000	121,902	95
1982	2,467,135	166,439	211
1983[3]	3,145,050	218,260	226
'79-'83 change	+150.8%	+180.5%	+142 (+169%)

[1] Excludes supermarket sales.
[2] Operating income.
[3] Fiscal year ended Dec. 31, 1983.
Source: CSA research

Kohl's opened nine stores this year after debuting five in 1982. Five of the 1983 openings were in one city, Indianapolis, which constitutes a new market for the company. Operating profits increased 48% on a 51% gain in sales.

The two Ivey's divisions also grew considerably during the year. Ivey's-Carolina, which has 13 stores in two states, boosted operating income 85%, while Ivey's-Florida more than doubled its profits.

Shortly after the close of the fiscal year, BATUS agreed to sell two Gimbels stores in greater Milwaukee because of FTC objections to the concentration of units the company operates there. Dayton Hudson was said to be considering purchasing one unit. Once it divests itself of those two units, the Gimbels-Midwest division of BATUS will operate 11 stores, including six in Milwaukee. Profits at Gimbels-Midwest grew 92% last year.

BATUS left food retailing last September when it sold the Kohl's chain of supermarkets to A&P. The company decided to divest itself of the food retailer, whose share had been steadily declining in the highly competitive Milwaukee market, to concentrate on operating department and specialty stores.

The BATUS retail group spent $113.3 million on new stores and remodelings last year, a 5.3% rise over 1982's expenditures. In all the group opened 15 stores and boosted retail space 4%. ☐

Best Products

Best booms to $2 billion-plus sales

Sales at Best Products reached a new benchmark in 1983, surpassing the $2 billion level, while earnings chalked up a 28.7% increase.

For the year sales increased 31.6% to $2.1 billion. Earnings were $37.1 million, up from $28.8 million in '82.

Yet fourth-quarter results were disappointing for the nation's largest catalog showroom operator. Same store sales in December were flat compared to a budgeted increase of 5%.

Part of the reason for the poor performance in what is normally retailing's strongest quarter was an excessively high percentage of out-of-stocks, especially on promotional items, says Andrew Lewis, Best president, and the fact that the company is still consolidating the 1982 acquisitions of Basco and Modern Merchandising.

During the year, Robert Huntley, a board member and president of Washington & Lee University, was appointed president of the catalog division. His appointment will free Lewis for strategic planning, including potential diversifications—especially important considering the rapid maturing of the catalog industry.

So far, Best's track record with specialty operations has been rocky. The most successful—the 18-store Ashby's off-price women's apparel chain—is doing well. Plans call for an additional 18 units during '84 in existing markets.

Year	Sales (000 omitted)	Profits (000 omitted)	Stores
1979	$ 696,830	$26,625	62
1980	841,803	21,676	75
1981	1,109,064	19,983	100
1982	1,581,650	28,820	202
1983*	2,081,328	37,087	212
'79-'83 change	+198.7%	+39.3%	+150 +241.9%

*Fiscal year ended Jan. 28, 1984.
Source: CSA research

In March, however, Best sold its four Data Base computer stores. The company had predicted it would have 12-15 units by mid-1983, but the shakeout in the computer industry rattled management's confidence in the long-term profitability of the chain.

Best Jewelers, now with four stores, is still a test, but one benefiting from Lewis' dedication to the jewelry category in the specialty stores and in the showrooms. Lewis notes Best is currently the nation's fourth leading jewelry merchant and would like to increase jewelry sales from 20% of showroom sales volume to 25%. A new training program and a better incentive plan for jewelry personnel is showing progress in this direction. ☐

R. H. Macy

Established stores' gains boost profits

Effective cost controls and strong sales performances from established stores helped R. H. Macy & Company boost profits 37.7% on a sales gain of 16.4% for the fiscal year ended July 30. Sales for the year were $3.46 billion, while earnings reached $186.7 million. Net margin grew to 5.4% of sales and return on stockholders' equity jumped three full points to 21.1%.

Macy's opened just one store during the fiscal year and closed another, so the burden was on established units to perform well, and they did just that. Comparable store sales grew 14.5% as Macy's continued to succeed with a merchandising strategy that emphasizes keeping at least 95% of its goods current and maintaining a strong in-stock position on key categories. With that kind of productivity from established stores, sales per gross square foot grew more than 14% to $153. In the current fiscal year Macy's executives say they believe the company can achieve $175 per square foot in sales.

Established stores *took on the performance burden for Macy's.*

As it strove to be a better merchant, Macy's also succeeded as a more efficient operator. SG&A declined nearly a full point to 19.6% of sales, at least in part because of a broad-based productivity improvement program.

Since the end of the fiscal year, Macy's has opened two stores and enlarged its Paramus, N.J., unit, for a net gain of 449,000 sq. ft. of retail space. One of the new units, located in North Miami Beach, marked the beginning of Macy's ambitious program to open 10 stores over the next six years in southeastern Florida and Texas. The company also hopes to open this fall at least two of the four Liberty House stores it purchased last year.

Before those openings, Macy's will debut one more store this fiscal year, a 233,000-sq.-ft. Davison's in Atlanta. With the addition of that unit, the company will close out the year operating 94 department stores.

Through the first six months of its current fiscal year, Macy's has boosted earnings 22.7% to $140.5 million. Sales for the six months are ahead 19.1% as the company continues to get solid gains from established stores. Same-store sales are up 16.5% for the six months. ☐

Year	Sales (000 omitted)	Profits (000 omitted)	Stores
1979	$2,058,000	$ 75,800	83
1980	2,373,500	102,300	87
1981	2,656,700	118,700	92
1982	2,979,400	135,600	91
1983*	3,468,100	186,700	92
'79-'83 change	+68.5%	+146.3%	+9 (+10.8%)

*Fiscal year ended July 30, 1983.
Source: *CSA* research

Melville Corp.

Apparel, toys lead sales and profits

Specialty retailer Melville Corporation racked up respectable increases in sales, up 20.3% over 1982, and profits, up 24% above 1982 figures. This should help pull compound annual growth rate back on track. For the latest five-year period, sales grew at a 18% rate while earnings trailed at 15%. For the 10-year period, however, sales grew at a 19.9% rate while earnings gained at a 23.4% rate.

Sales rose to $3.923 billion, up from $3.261 billion in '82. Earnings were $176 million, an increase from 1982's $142 million.

Melville's 10 specialty store divisions encompass apparel, footwear, drugs and health and beauty aids, toys and domestics. The apparel sector, which includes Linen 'n things, the off-price domestics chain Melville acquired in April, accounted for 40% of company sales. Sales gains for the apparel area were ahead by 30.6%, while operating profits were up 26.8%.

Melville's Kay-Bee toy division, which contributed only 7.2% of company sales in 1983, was the best performer. Sales were up 53.5% over 1982, and profits rose 130.1%.

Year	Sales (000 omitted)	Profits (000 omitted)	Stores
1979	$2,022,769	$100,706	4,169
1980	2,332,243	113,824	4,547
1981	2,760,841	136,132	5,154
1982	3,261,649	142,124	5,482
1983*	3,923,219	176,259	5,747
'79-'83 change	+93.9%	+75.0%	+1,578 (+37.8%)

*Fiscal year ended Dec. 31, 1983.
Source: *CSA* research

Footwear stores, mainly Thom McAn and Meldisco leased departments in K mart stores, attributed 34.1% of total sales. Sales increased 6.1%, profits 10.7%.

In 1984, Melville will be shoring up several operations with new prototypes. Thirty-five new Marshalls stores will open this year, with an upgraded look. Thom McAn stores are getting a new prototype, and management is weeding out unprofitable sites. Last year, 88 stores were closed; 35 more are scheduled to be closed by year-end '84. Chess King and Foxmoor also will be getting new prototypes. Sixty Kay-Bee toy stores are scheduled to bow.

Melville's long-term debt increased nearly $20 million during the year, due to $42.5 million in notes issued as part of the purchase of Linens 'n things. However, previous indebtedness from the acquisition of Kay-Bee was reduced.

Dillard

Hefty net from modest sales gain

Dillard's ability to boost volume in existing stores without dramatically increasing expenses helped the chain parlay a solid sales gain into a substantial increase in earnings last year. Net earnings for the department store chain rose 55.5% to $34.1 million on a 19.1% sales increase. Volume for the year was $847.5 million.

Hurt early in the year by the devaluation of the peso, same-store sales rebounded in the third and fourth quarters. For the entire year same-store sales were ahead 15.3%, while selling, general and administrative expenses declined a full point to 25.8% of sales.

Gross margins rose to 39.1%, up from 37.4% in 1982, as Dillard increased sales of higher-margin men's and women's apparel. Over the last five years sales in these categories as a percentage of sales have grown consistently. Women's apparel now accounts for 37.7% of volume, up from 30.9% in 1979.

Dillard increased *sales of higher-margin apparel.*

After opening 11 stores in 1982 Dillard debuted just one unit last year, ending fiscal '83 with 66 stores in eight states.

Shortly after the close of the year, Dillard acquired the 12-store Stix, Baer and Fuller chain in St. Louis from Associated Dry Goods. Although some industry observers are skeptical that Dillard can make a go of the stores, which ADG tried for several years to turn around, chairman William Dillard sees the purchase as a good one for his company. "The stores are in well-located regional shopping malls, and the coanchors in the malls are achieving satisfactory sales volume," he says.

Retaining market share in Dallas may prove just as challenging for Dillard as revitalizing the Stix stores. Dillard controls about 18% of department store volume in the Dallas-Fort Worth market but has reportedly been affected by the entry of Mervyn's, which opened five stores in the market last year. The company will attempt to increase its penetration in Dallas this year when it opens a new store there, one of three units the chain has slated for 1984. □

Year	Sales (000 omitted)	Profits (000 omitted)	Stores
1979	$391,302	$ 8,316	44
1980	470,733	8,506	50
1981	592,867	16,259	56
1982	711,323	21,956	65
1983*	847,485	34,139	66
'79-'83 change	+116.6%	+310.5%	+22 (+50%)

*Fiscal year ended Jan. 28, 1984.
Source: *CSA* research

Service Merchandise

DIY stores offer greatest growth

Service Merchandise, the nation's second-largest catalog showroom chain, continued on a strong course during 1983 despite what even chairman Raymond Zimmerman feels were missteps in the company's drive to develop new specialty retailing concepts.

For the year, Service increased sales to a new high of $1.5 billion, 22% above '82 figures of $1.2 billion. Earnings raced ahead 42.1% to $44.8 million.

After trying The Toy Store, a six-store specialty chain it dumped in '82, Service has diversified with two Zimm's jewelry stores, a three-unit specialty group called The Lingerie Store and the eight-store Computer Shoppe.

Zimmerman, with perfect hindsight given the rapidly changing computer market, admits that if he had to do it all over again, he would not have acquired the electronic specialty chain (or tried the lingerie and jewelry chains).

But disenchantment over one venture hasn't dampened his enthusiasm for another. At midyear Service acquired HomeOwners Warehouse, two discount home improvement stores in south Florida. The stores serve the DIY market with over 30,000 sku's of home improvement products.

Year	Sales (000 omitted)	Profits (000 omitted)	Stores
1979	$ 729,759	$19,463	99
1980	865,017	20,389	113
1981	1,027,093	23,069	116
1982	1,195,283	31,569	139
1983*	1,458,058	44,862	173
'79-'83 change	+99.8%	+130.5%	+74 (+74.7%)

*Fiscal year ended Dec. 31, 1983.
Source: *CSA* research

New units will open this year in Chicago, Jacksonville, Louisville and Nashville, with a year-end total of eight to 10 stores expected. Company officials see this venture as providing the most opportunistic growth available due to the rapidly expanding market for DIY products.

During '83 Service didn't neglect its showrooms. The company opened 19 units and expanded into four additional states—Colorado, Nevada, New Mexico and West Virginia.

Despite the expansion and acquisitions, Service managed to strengthen its balance sheet at year end, reducing interest expense on debt by $6.4 million and increasing profit margins to 23.3% from 82's 22.8%. Comparable-store sales increased 7.5%.

Price Company

New units help hike earnings 87%

Price Company took its cash-and-carry format to four new locations last year and fashioned an 86.6% gain in net income on a 73% revenue increase.

Earnings for the fiscal year ended Sept. 4, 1983, rose to $14.7 million. Revenues increased to $643.5 million. Approximately $198.2 million of that volume represented sales of general merchandise to retail customers. Just five years ago Price Company earned only $1.06 million on retail and wholesale sales of $63.5 million.

Year	Sales[1] (000 omitted)	Profits (000 omitted)	Stores
1979	$ 19,552	$ 1,058	2
1980	45,689	2,547	4
1981	71,140	5,128	4
1982	114,259	7,891	7
1983[2]	198,196[3]	14,732	11
'79-'83 change	+914%	+1,292%	+9 (+450%)

[1] CSA estimate of retail general merchandise sales only.
[2] Fiscal year ended Sept. 4, 1983.
[3] Fifty-three week year.
Source: *CSA research*

The nation's premier operator of cash-and-carry warehouses continues to refine the concept that so many others are now emulating. Four new units, all opened less than a year, produced $67.1 million in volume. Established stores, meanwhile, boosted their volume 35%. That's an average gain of $28.5 million per unit.

Gross margin, already the lowest among major retailers, dropped to 10.7%. That decline, however, did not put pressure on pretax profit margins, which increased to 4.6% of sales from 4.2% the previous year. The company was able to produce that kind of profits-to-sales ratio on such a low gross margin because of its continued success controlling expenses. SG&A amounted to just 7.6% of sales.

In its current fiscal year, Price Company has opened three new units and plans for one more. One of the new units is located in Richmond, Va., marking the company's long-awaited entry into the East.

Even as it looks east, the company will continue to expand vigorously in its present markets. California and Arizona can support up to 30 more units, say company executives, and even though lookalikes are proliferating, it is not likely that many of these new operators will risk going head-to-head with Price when so many other markets have yet to be tested. ☐

Duckwall-ALCO

New stores push up sales, profits

Same-store sales increases, coupled with volume from new stores and from acquired stores (the 48-unit Majic Mart chain) helped Duckwall-ALCO post sales of $317 million, up 46.6% from 1982. Net earnings for the fiscal year ended Jan. 31 nearly doubled, jumping from $4.3 million in 1982 to $8.6 million in '83.

GREETING CARDS

ALCO stores will fine-tune their merchandise mix to markets.

The Majic Mart stores, 40 of which had the ALCO discount store merchandise mix in place as of October, accounted for $73 million in sales for the eight months they were on the books. For 1984, the chain hopes to bring the acquired stores up to the ALCO productivity level (about $2.5 million in sales per store). Duckwall-ALCO expects to ring up $400 million in sales in 1984.

With the Majic Mart acquisition, Duckwall-ALCO is now up against the formidable Wal-Mart in 40 new markets. However, the smaller ALCO stores will not be trying to compete with Wal-Mart on price. The key to making these stores profitable, says management, is in maintaining a strong in-stock position and fine-tuning the merchandise mix to the markets. ALCO store managers have more to say over merchandise than do Wal-Mart managers, analysts note.

Besides getting the new acquisitions up to snuff—the chain purchased four David's stores this February—management will concentrate on remodeling 24 of the ALCO discount stores. Two nonproductive ALCOs will be shut down and new units opened. Last year, the 125-store discount division, excluding the acquired stores, accounted for $232 million in sales. Comparable-store sales were up 10.3%.

Year	Sales (000 omitted)	Profits (000 omitted)	Stores
1979	$172,786	$4,317	106
1980	174,566	3,266	109
1981	199,103	2,776	115
1982	216,283	4,313	114
1983*	317,065	8,625	160
'79-'83 change	+83.5%	+99.8%	+54 (+50.9%)

*Fiscal year ended Jan. 31, 1984.
Source: *CSA research*

The 34-unit variety store division, which accounted for $11 million in sales last year, is not expected to get new real estate. Comparable-store sales increased only 0.4% over 1982. Duckwall-ALCO also has one experimental off-price store, The Outfit. ☐

Allied

Allied profits back on track

After a five-year checkered earnings pattern, Allied Department Stores posted a 41.7% boost in earnings over 1982 figures to $128.5 million. Sales increased 14.3% to $3.676 billion in '83.

Department stores, which accounted for 82% of Allied's sales last year, were the best performers. With the exception of Joske's-Dallas, all department store divisions posted profits. Four department stores will be added this year.

Highest sales increases came from hard lines departments. Tabletop showed a 14% increase over '82, but was overshadowed by the 25% boost in decorative home furnishings and furniture/bedding sales, a 35% hike in decorative accessories and a 30% increase in consumer electronics.

Brooks Brothers, Catherine's Stout Shoppes and Ann Taylor, part of the Garfinckel, et al, acquisition in 1981, were the most profitable of the specialty store divisions last year. Twenty-three specialty stores will be opened by year end.

***Department stores** were the best performers for Allied in '83.*

Allied is confident that '84 will be another strong year. "We would hope that Bonwit Teller and Miller & Rhoads would be in a position to contribute to profits in '84," says Orren Knauer, vp/investor relations. "We also look for further improvement in Joske's-Dallas," which may be in the black by the end of the fiscal year.

Emphasis will be on those businesses that offer the best profit margins, says president/ceo Thomas Macioce, including the One Step Up trade-up program and private label, the fastest-growing area of the company's business.

Long-term debt decreased, while short-term debt rose to $99 million from $33 million, reflecting an increase in working capital. The only major impact on profits over the next few years will come from changes in consumer spending patterns, which could slow down in '85, says Knauer. ☐

Year	Sales (000 omitted)	Profits (000 omitted)	Stores
1979	$2,210,000	$ 90,135	216
1980	2,268,000	83,836	226
1981	2,732,697	88,332	512
1982	3,215,634	90,659	533
1983*	3,675,873	128,471	570
'79-'83 change	+66.3%	+42.5%	+354 +163.9%

*Fiscal year ended Jan. 28, 1984.
Source: *CSA* research

Tandy Corp.

Radio Shack tunes in computer profit

Tandy Corp.'s vertical manufacturer-wholesaler-retailer integration paid off in 1983 with a 21.8% sales increase and a 24.3% gain in net income. The totals marked the 11th straight year sales for the 8,868-unit Radio Shack operator jumped by more than 10%. Last year's net income-to-sales ratio rose to 11.3%—the sixth consecutive rise since 1978, when it was 6.2%.

The best-selling product category by far was microcomputers, software and peripheral equipment, accounting for nearly 35% of worldwide warehouse shipments.

"We participate in the microcomputer industry in a unique way," says Tandy chairman/ceo John V. Roach. "It gives us not only the opportunity to monitor retail sales directly as a manufacturer, but it also gives us the opportunity to balance and promote inventories according to our needs."

Sales last year of self-manufactured products grew to 57% of total volume, compared to 43% five years ago. Computer products represented the major reason for the increase.

While computer unit sales continued to grow in 1983, selling prices were reduced in response to increased competition. In fact, the TRS-80 computer selling at $299 in Radio Shack's last catalog will be further reduced to $159 in the next. Competition has also lowered Tandy's share of the computer market from a high of 40.5% in 1979 to 8.6% last year, according to International Data Corp.

Tandy's newest venture to boost home computers and software is Tandy Home Education Systems (THES). Begun in Atlanta this April and scheduled for seven other cities, THES is a program of classes and seminars to sell parents the merits of technologically advanced educational aids.

In addition to its computer-related products, this year Radio Shack will also promote stereo video tape recorders, pocket-size televisions (dubbed Pocketvision), digital audio discs, cellular radio telephones and, if approved by the F.C.C., stereo adapters and converters for televisions. ☐

Year	Sales (000 omitted)	Profits (000 omitted)	Stores
1979	$1,215,483	$ 83,229	7,353
1980	1,384,637	112,235	7,715
1981	1,691,373	169,602	8,161
1982	2,032,555	224,085	8,518
1983*	2,475,188	278,521	8,868
'79-'83 change	+103.6%	+234.6%	+1,515 (+20.6%)

*Fiscal year ended June 30, 1983.
Source: *CSA* research

ware comes down, sales will step up," predicts Craig Beckwith, a spokesman for The Record Bar, a 150-unit, Durham, N.C.-based record retailer.

Already, Sears has dropped the price of its private label CD player to $389. Macy's, New York and its Bamberger's sister division have lowered the price on the low-end Technics and Sony models to $399 and $499, respectively.

The Record Bar's Beckwith claims that $300 will be "the magic price point" for the CD player. Industry insiders predict third and fourth quarter sales will take off when prices drop to near the $300 level.

Yet CBS's Shulman counters with market research showing that consumers already have an accurate idea of what CD players cost and that price is not an impediment to sales growth. He notes that CD players currently are comparable in price to VCRs, a booming product category.

What's missing, says Shulman, is aggressive merchandising by retailers. "CD players are not really merchandised properly," he says. "They need to be identified with signing and surrounded by discs."

Meanwhile, the Compact Disc Group is gearing up both consumer and retailer education programs to promote CD sales. The consumer program targets the product awareness problem, while the retailer will get suggested merchandising strategies.

"If we had this kind of support program 10 years ago," says one Compact Disc Group member, "we'd all be listening to quadraphonic today." ☐

Auto dealers lead car stereo sales

Rebounding new car sales in 1984 will bring more than smiles to Detroit automakers' faces. The majority of car stereos will sell this year as part of new car packages and not through retail outlets, according to Venture Development Corporation, a Wellesley, Mass., management consultant firm.

This year, 54.6% of car stereos will be sold by auto dealers as part of new vehicle installations, compared with 47% in 1981. Venture Development credits the higher quality of automaker-installed units, the increased strength of the custom car market and booming new car sales for the change. During the 1981-82 recession, the management consultant firm says, car stereo buyers retained their older vehicles longer and therefore boosted aftermarket sales.

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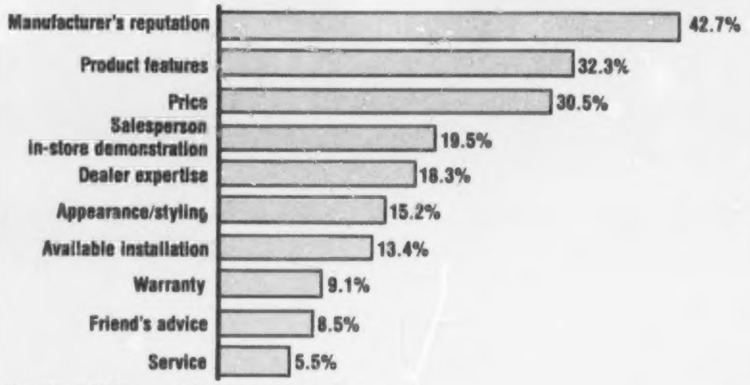

Percentages add to over 100 due to multiple responses
Source: Venture Development Corporation

Manufacturer's reputation will be the most important factor in consumers' selection of a particular brand of car stereo, according to Venture Development. Other primary influences will be product features and price. Warranty, advice from friends and service will all play a minor role in brand selection.

In 1984, consumers will spend $1.46 billion on auto sound equipment, an increase of only 1.3% from 1983 totals of $1.44 billion, according to the Electronics Industries Association. The benchmark year for auto sound equipment was 1981.

Discounters selling rack stereo setups

Stability has not been the hallmark of consumer electronics. Last year's hot sellers often find their way into this year's bargain bins, and retailers must once again rearrange their product mix.

"I have nothing new like video games, no phones and no computers," says Richway electronics buyer Marc Valen. "What I'm looking for is something that is trending toward expanded volume and more profit." The answer for the Atlanta-based discounter is an increased emphasis on rack stereo systems.

The matched rack systems were not emphasized in the last couple of years, according to Valen, because more attention was paid to the then-booming video game business. Now that the video game action has stopped, Valen is looking to expand into less volatile stereos.

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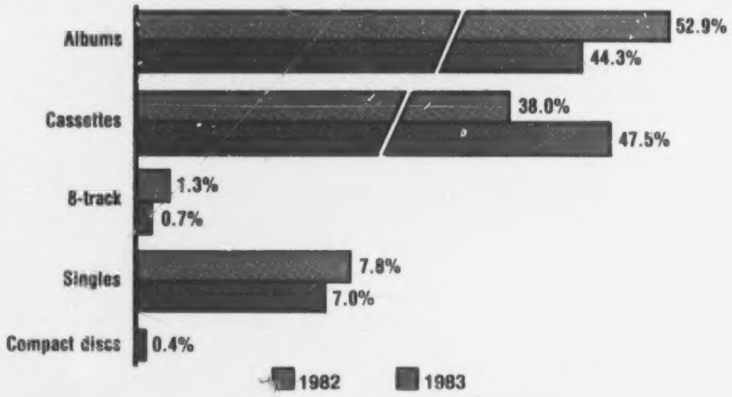
Cassettes outplay record sales

Retailers tied into standard record album bins and cassette tape lockups may soon have to change their tune. Record and tape departments will take on a new look in response to changes in consumer buying. In fact, they might better be called tape and record departments.

Last year marked the first time prerecorded cassettes outsold record albums. Cassettes captured a 47.5% market share, while albums totaled 44.3%, according to the Record Industry Association of America. Industry sources predict cassette tapes will easily jump over the 50% mark in 1984.

In response Jamesway, the Secaucus, N.J.-based discounter, has tested merchandising cassettes in displays that allow customers to handle and select tapes as freely as they now choose records. The successful six-store test will soon be expanded to the discounter's other 73 units, says Jamesway chairman, Herbert Fisher. "We found that the increase in sales outweighed any shrinkage," he adds.

Albums lose market to cassettes



Source: CSA/Record Industry Association of America

The Record Bar, a 150-unit Durham, N.C.-based record retailer with $83 million in sales last year, attacks the change in market share from another direction. Its 2,300-sq.-ft. Colorado Springs, Co., prototype, opened in April, cross-merchandises records and tapes storewide, allowing the album's promotional artwork to sell the less flashy cassettes.

"Hundreds and thousands of dollars are spent by record companies each year to design and print album jackets that are then hidden in wooden bins," says Jack McGowan, president of The Selling Machine, the Framingham, Mass., retail design firm that created the prototype.

The prototype houses records and cassettes side by side in clear, adjustable lucite bins, allowing both visual access and easy changeover of product mix.

***Discounters have turned** to rack stereo systems as a steady growth category.*

It may be a good bet. Over 2.95 million compact and component audio systems were sold in 1983, and a rise to 3.12 million units is predicted in 1984. Industrywide gross margins range from 25%-35%, and most discounters can expect four to five turns annually, according to industry insiders.

Richways' Valen currently carries a three-tier Sounddesign rack stereo assortment promotionally priced at $199, $249 and $299. During the second half of 1984, the discounter is looking to add a $399 fourth tier with a Panasonic, JVC or Fisher system.

"I don't think we can go any higher than that," Valen says. "We can only go with a brand name. We're a self-service store, and once you get any higher, you need service and we just don't have it."

G. C. Murphy electronics buyer Frank Remalely agrees. "You won't see anything over the $499 price point. Anything that's over $500 will be in the department stores. That's really their cup of tea."

Sales of 3.12 million compact and component systems are expected in '84.

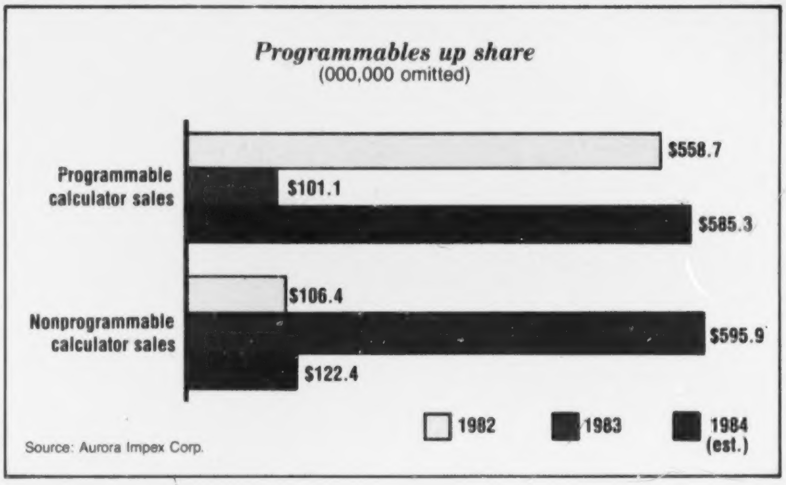
Remalely carries a good, better, best assortment ranging from a $199 Sounddesign system to a $399 Fisher setup. The rack stereos represent 10%-15% of chainwide stereo sales, according to Remalely.

"If I advertise two or three times a year, especially in the last quarter, I get good results," Remalely says. Promotions geared to Father's Day, graduation, back-to-school and Christmas have proved most successful. ☐

Calculators add up and divide market

Whatever became of the slide rule? The answer, of course, is that smaller, more versatile and more accurate electronic calculators swept the market in the last 10 years, eliminating the venerable wooden standby.

Now the calculator itself has matured, both in sophistication and as product category. Industry sources tagged sales of the miniature mathematical wizards at $691.5 million in 1983, a meager 4.8% gain over the year before.



Source: Aurora Impex Corp.

Of the 29 million units shipped in 1983, hand-helds dominated the market with 86% of unit shipments, while desk-top calculators made up 14% of the total.

Sales will slow to a 3.8% dollar increase in 1984 and grow at a leisurely 3.6% annual rate through 1987, according to Mei Noguchi, executive vp, Aurora Impex, a Kenilworth, N.J.-based calculator manufacturer.

However, Noguchi predicts programmable specialty calculators, including budget planners, ultrathins, scientifics and solar calculators will show a 15% increase in 1984. Last year sales of the programmable calculators gained 5.2% over 1982.

Discounters are the largest sellers of calculators, according to *CSA* research, garnering 32% of the market in 1983, followed by the Big 3 catalog chains at 22%, catalog showrooms with 13% and department stores at 10%. ☐

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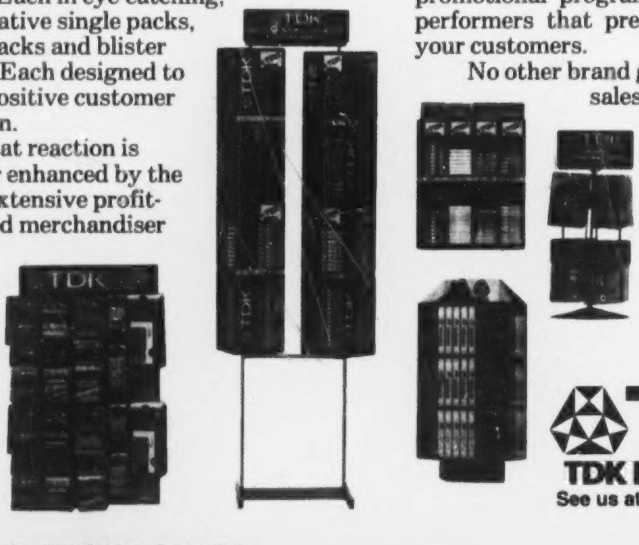

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Major chains	% change	April sales* 1984	April sales* 1983	Stores 1984	Stores 1983	3-mo. sales 1984	3-mo. sales 1983	% change
Sears[1,6]	+ 9.8	1,959,102	1,784,635	885	897	5,742,509	5,375,235	+ 6.8
Penney	+27.6	865,000	678,000	2,015	2,044	2,480,000	2,118,000	+17.1
Ward[1]	+12.3	460,058	409,713	367	381	1,361,533	1,197,239	+13.7
Federated[5]	+17.9	564,400	478,900	424	390	1,672,700	1,496,500	+11.8
Dayton Hudson	+19.5	509,670	426,342	1,092	1,027	1,573,430	1,332,104	+18.1
May Dept. Stores	+27.2	341,300	268,300	1,625	1,491	963,300	842,600	+14.3
R. H. Macy	+23.2	288,600	234,200	93	92	908,900	780,500	+16.5
Allied Stores	+17.5	283,700	241,500	577	544	841,400	761,500	+10.5
Carter Hawley Hale	+21.5	293,500	241,500	1,094	1,008	871,100	723,200	+20.5
Associated Dry Goods	+32.3	284,500	215,000	323	249	813,000	660,100	+23.2
Mercantile	+ 8.9	128,328	117,870	78	85	346,825	317,601	+ 9.2
K mart	+ 9.6	1,525,790	1,391,742	2,161	2,128	4,177,572	3,934,619	+ 6.2
Woolworth	+16.0	442,747	381,674	N/A	N/A	1,209,716	1,129,060	+ 7.1
Wal-Mart	+43.3	467,000	326,000	664	563	1,233,000	855,000	+44.2
Household Merch.[2,3,5]	+ 5.6	400,891	379,738	3,764	3,894	1,276,791	1,252,405	+ 2.0
T.G. & Y.	+ 2.1	154,672	157,996	784	888	464,243	446,446	+ 4.0
Zayre[4]	+30.6	227,968	174,615	777	658	622,637	518,819	+20.0
Bradlees	+44.1	93,100	64,600	129	108	261,600	193,600	+35.1
Murphy	+14.6	71,594	62,489	400	417	198,047	188,595	+ 5.0
Rose's	+30.0	73,551	56,514	191	237	188,023	157,192	+19.6
Heck's	+18.2	30,600	25,900	122	119	98,300	93,000	+ 5.7
Jamesway	+26.8	34,366	27,093	78	74	86,062	75,725	+13.7
Melville	+40.6	350,739	249,416	5,756	5,525	957,097	806,149	+18.7
Tandy	+ 0.7	198,204	196,773	N/A	N/A	631,410	585,848	+ 7.8
Edison Bros.	+15.7	95,655	82,660	2,175	2,169	240,577	215,881	+11.4
The Gap	+18.6	33,800	28,500	560	556	98,000	87,700	+11.7
Totals & Averages	+17.3	10,024,163	8,543,674	—	—	28,853,529	25,698,172	+12.3

*000 omitted. N/A = not available.

[1] Store number for full-line outlets only. [2] Includes 2,771 franchise stores (vs. 2,832 a year ago). [3] Includes T.G. & Y. and Vons sales. [4] Includes 276 Zayre stores (vs. 265 a year ago), 374 Hit or Miss stores (vs. 300) and 127 T. J. Maxx stores (vs. 93). [5] Excludes supermarket sales. [6] Includes results from Simpson-Sears.

April brings back double-digit gains

An April Easter brought back double-digit gains and delivered a 17.3% sales increase for the 25 chains tracked by *Chain Store Age*. Overall totals for the first quarter of the current fiscal year now stand 12.3% over 1983.

However, Easter 1984 didn't quite pack the wallop it did last year. The March holiday in 1983 rang up sales of $10.2 billion, while 1984's April celebration posted sales of $10 billion, a 2% decrease. Still, combined March/April totals in 1984 increased 10.2% above the same two-month period the year before, but slowed from February's 16% pace.

J. C. Penney led the Big 3 catalog chains, posting a 27.6% monthly gain. Montgomery Ward sales increased 12.3% for the month, with comparable stores up 14.5%. Crosstown rival Sears marked a 9.8% monthly gain, yet year-to-date figures lag behind with a three-month increase of 6.8%.

Associated Dry Goods continued to lead the department stores, showing a 32.3% jump for April and a 23.2% gain for the first quarter. Led by same-store increases of 63% for its shoe stores and 25.4% for its Venture discount operation, May Department Stores posted a 27.2% April gain.

Among the discounters, Bentonville, Ark.-based Wal-Mart once again led the pack with a 43.3% monthly increase. Store-for-store gains in the first quarter now stand at 19%, with an overall hike of 44.2% over the first three months of 1983. K mart, the nation's second largest retailer, winds up the first quarter showing only a 6.2% sales gain and a disappointing 4.5% comparable store increase.

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GARFIELD is the fastest growing comics feature in the history of syndication. The feisty feline appears in more than 1,600 newspapers worldwide—and the list is still growing.

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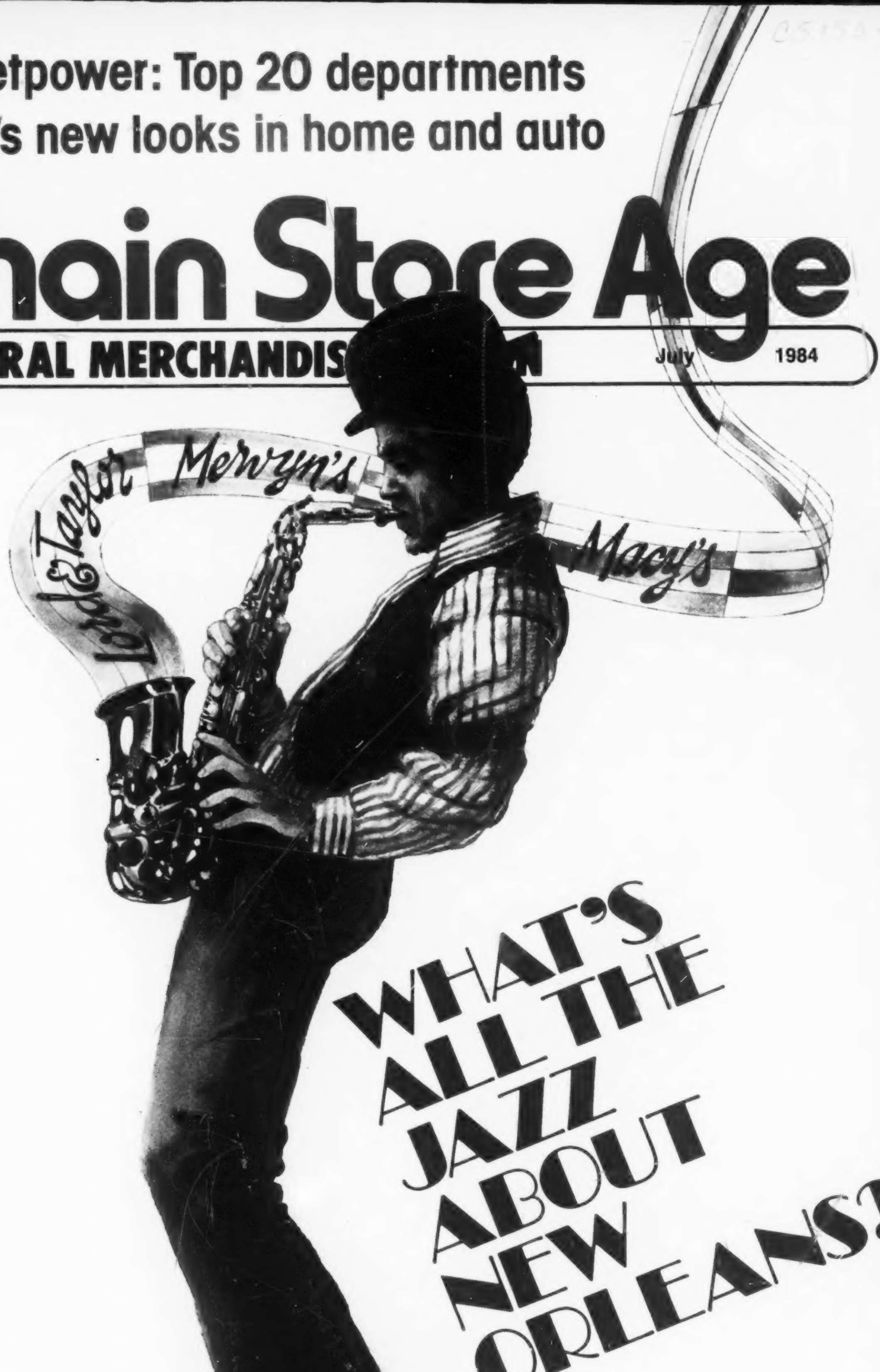
Ward's new looks in home and auto

Chain Store Age

GENERAL MERCHANDIS N July 1984



WHAT'S ALL THE JAZZ ABOUT NEW ORLEANS?

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GMMs: Well-paid, optimistic, overworked

The typical general merchandise manager is a well-educated, highly paid individual who enjoys the responsibilities and challenges of his position. That same person, however, often dislikes his rigorous work schedule, occasionally wonders how much his company cares for him as an individual and frequently is not satisfied with the way his store employees carry out the programs he helps design.

These are just some of the characteristics and attitudes typical of the nation's highest level merchandising executives, according to a recent *Chain Store Age* survey. The study, which garnered 120 usable responses from general and divisional merchandise managers at the nation's leading chains, provides an intriguing series of insights into the way these individuals see themselves, their jobs, the people who work for them and the companies they serve.

Few things put a merchandising executive on the defensive like an outsider's criticism of store employees, especially if that criticism comes from a vendor complaining about the execution of in-store promotional programs. Privately, however, many gmms grumble that their own best laid plans often go awry in the hands of field personnel, the *CSA* study illustrates.

More than 4 out of 10 respondents to the study agreed at least somewhat with the statement, "We lay out good programs at headquarters yet they never get implemented at store level." That startling indictment of store personnel was reinforced in another section of the study, where only 4% of the merchandising executives rated their store personnel excellent.

Merchandising executives for the Big 3 are best paid, earning an average of $99,000 per year.

Discount store executives were the harshest on store employees. Nearly 3 out of 10 judged these employees no better than fair in the performance of their duties. Clearly the discontent with store personnel runs through the merchandising side of this retailing tier. In a previous *CSA* study (January 1984), exactly the same number of discount store buyers, 29%, voted their chain's field force only fair in carrying out merchandising programs.

Gmms are notably more positive about the capabilities of their buying staffs, perhaps because it is they who supervise buyers. Only 8% of those surveyed rate their buying staff fair, while 55% judged buyers who worked for them either excellent or very good. Not one merchandising executive pinned the label poor on his buyers.

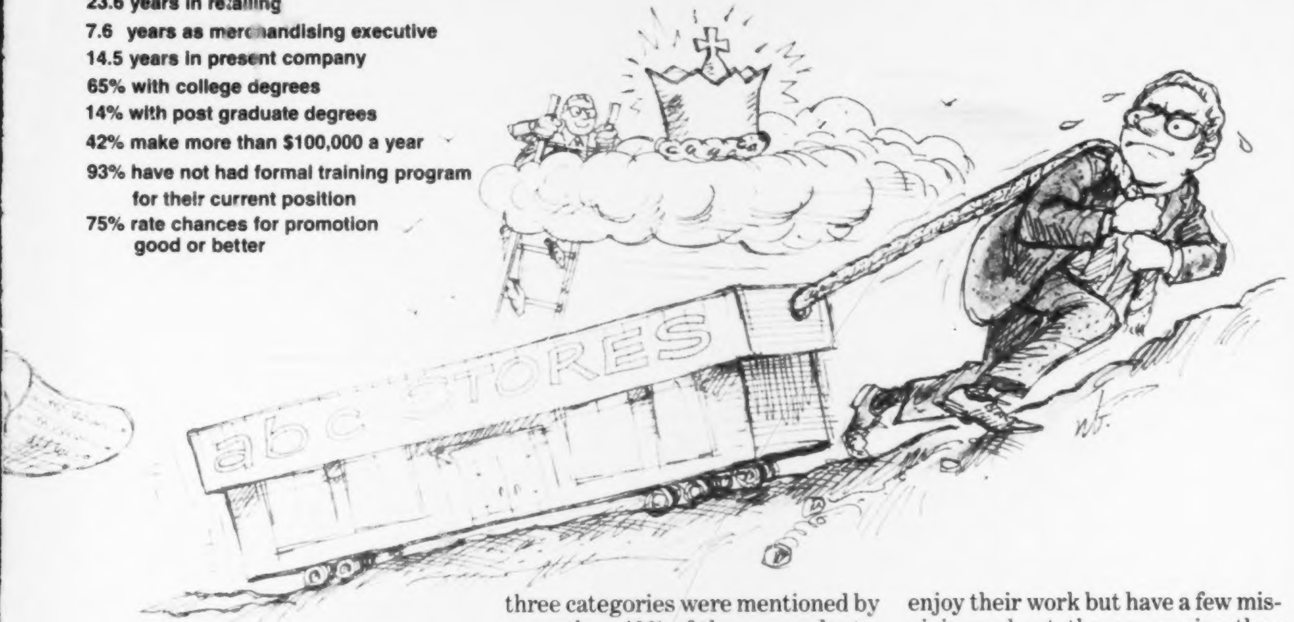
Training problems: At least some of the dissatisfaction merchandising executives feel toward store employees and, to a lesser degree, buyers, must be laid at the feet of their companies. Few gmms feel their chains have strong training programs. A disturbingly high number, 45%, rated such programs no better than fair.

The retailing tier which provides the best overall training, judging by responses from merchandising executives, is department stores. More than 7 out of 10 department store executives rated their company's programs either good or very good. A distant second was the Big 3, which garnered positive ratings on training from 56% of their mer-

Section written by Steven Malanga

Profile of a merchandising executive

46.6 years old
23.6 years in retailing
7.6 years as merchandising executive
14.5 years in present company
65% with college degrees
14% with post graduate degrees
42% make more than $100,000 a year
93% have not had formal training program for their current position
75% rate chances for promotion good or better



chandising executives. Discount and specialty stores executives, on the other hand, were extremely harsh on company training programs. More than 60% of the discounters rated such programs fair or poor, while 67% of specialty gmms were equally as critical of their companies' training programs.

Few chains had training programs tailored specifically to gmms, and this may be the source of some discontent exhibited by respondents. Apparently many merchandising executives still feel the need for on-going training, especially in skills which are useful in managing people. For instance, 35% of those surveyed wished they received better training in communications. More than 3 out of 10 also wanted help in learning how to motivate and train workers.

Nearly 4 out of 10 hard lines gmms wanted more training in financial skills, while only 16% of soft lines executives saw a need for more training in this area. On the other hand, 17% of soft lines gmms mentioned advertising as an area where they'd like to receive more training, compared to just 4% of hard lines executives.

Merchandising executives feel an even greater need for better training programs for their buyers. Where? In computer systems, negotiating skills and planning. All three categories were mentioned by more than 40% of the respondents.

Buyers, on the other hand, do not believe they are quite so inadequate in these skills. In the previous *CSA* study, only 4.1% of buyers said they needed more training in computer systems, while just 7.9% wanted more help in learning how to be a better planner.

Confident group: On the whole, general merchandise managers are a confident group of retailers who enjoy their work but have a few misgivings about the companies they serve. When asked to list some favorite aspects of their position, 81% said they enjoyed the challenges and 63% liked the responsibilities. More than 6 out of 10 also ranked merchandising as one of their favorite activities, but only 10% said that dealing with vendors was an enjoyable part of their job.

What is most notable about the responses to this particular ques-

GMMs rate responsibilities

	Department store	Specialty store	Discount store	Big 3	Average
Planning	83%	83%	79%	87%	82%
Maximizing gross margins	57	61	55	57	58
Sales volume increases	54	72	42	35	50
Inventory control	46	44	39	30	40
Maximizing gross margin dollars	51	22	42	35	39
Training buyers	31	28	37	57	38
Maximizing sales	34	17	29	30	28

Source: *Chain Store Age research*

GMMs express their attitudes on . . .*

Statement	Department store	Discount store	Specialty store	Big 3	All GMMs
We lay out good programs at HQ but they never get implemented at store level	2.97	2.63	2.65	2.70	2.79
Buyers have more autonomy today than in previous years	2.57	3.21	3.06	3.43	3.03
Buyers cannot add a new line without their supervisors' approval	2.97	3.08	2.67	3.87	3.18
Retailing is a business where you have to change companies to get ahead	2.66	2.79	2.33	2.61	2.64

**Based on a scale of 1 to 5, with 1 being "strongly agree" and 5 being "strongly disagree."*

Source: *Chain Store Age research*

Just how powerful are buyers?

It's heard all over the marketplace: "Buyers today don't have the same power as in days past. To get anything approved a merchandise manager must be in on the decision."

How much truth is there to this statement? It depends on who provides the commentary, buyers or their bosses.

In separate surveys, buyers and gmms provided almost the same positive responses to the statement, "Buyers have more autonomy today than in previous years." Forty-six per cent of buyers and 43% of gmms at least somewhat agreed.

However, while just 21% of the buyers at least somewhat disagreed, nearly half, 45%, of the gmms voiced disagreement.

Moreover, on the question of the freedom to add lines without needing a supervisor's approval, buyers were much more positive about their power than were their bosses.

Among buyers, 63% said they had the freedom to add lines, but that was supported by just 37% of the gmms. Indeed, 51% of the gmms at least somewhat disagreed (22% of the buyers held similar views).

The differences were most pronounced for department and discount store retailers. For both groups, only 40% of the gmms agreed that buyers have freedom, vs. 74% of department store buyers and 65% of their discount store counterparts.

Perhaps one reason buyers and their supervisors don't see eye to eye is that they have different interpretations of the most important aspects of a buyer's job. Buyers thought their five most important responsibilities were setting proper assortments/selection (59%), maximizing gross margins (59%), sales volume increases (44%), maximizing turns (41%) and negotiating the best deal (40%).

Gmms ranked the buyer's responsibilities this way: setting proper assortment/selection (60%), insuring an in-stock position (55%), negotiating the best deal (53%), sales volume increases (43%) and planning (43%). ☐

tion is the amount of agreement among merchandising executives from various trade classes. Almost 8 out of 10 gmms, from every retail tier included in the survey, said they enjoy the challenge that their position offers. The merchandising executives expressed similar uniformity in choosing responsibility as a favorite aspect of their position.

On the other hand, when it came to describing those things they like least about their jobs, the merchandising executives could come to no consensus. No particular characteristic was mentioned by more than 40% of the respondents. Nearly 4 out of 10, however, did say they disliked the work schedule they were forced to maintain.

Some level of discontent was also evidenced by the fact that 2 out of 10 respondents rated their companies no better than fair in their concern for employees as individuals. In an earlier *CSA* study of store managers (April 1983), 26% of those surveyed said one of the things they disliked most was this same lack of concern for employees as individuals. Apparently, some small but solid degree of anxiety about how companies treat employees runs throughout various management levels of retailing.

One subject which brought very little unfavorable reaction from merchandising executives was compensation. Only 11% listed salary as one of the least favorite aspects of their jobs. That compares with 52.2% of buyers who ranked salary high on the "least favored" list. It's clear why gmms don't complain about the money they make. Half of them earn more than $100,000 a year, while only 15% of those responding to the survey earned less than $50,000 a year. The mean salary of the survey's participants was $84,600 a year. That compares with the $37,200 that buyers take home on the average every year.

Merchandising executives for the Big 3 are best paid, earning an average of $99,000 per year. Department store executives are close behind with an average annual salary of $97,000.

Strategic planners: Earning that kind of money, merchandising executives clearly see themselves as strategists who are paid for their

Big 3 executives highest paid

Salary	Department store	Discount store	Specialty store	Big 3	All GMMs
Under $30,000	—	3.0%	11.0%	—	3.0%
$30,000-$35,000	—	—	6.0	—	2.0
$36,000-$40,000	3.0	—	6.0	—	2.0
$41,000-$45,000	—	11.0	—	—	3.0
$46,000-$50,000	3.0	8.0	6.0	—	5.0
$51,000-$55,000	3.0	11.0	6.0	—	6.0
$56,000-$60,000	3.0	3.0	11.0	—	3.0
$61,000-$65,000	—	11.0	—	4.0	4.0
$66,000-$70,000	3.0	5.0	6.0	—	3.0
$71,000-$80,000	3.0	8.0	6.0	17.0	8.0
$81,000-$90,000	6.0	8.0	6.0	4.0	6.0
$91,000-$100,000	6.0	8.0	6.0	4.0	5.0
Over $100,000	42.0	60.0	—	33.0	61.0
No answer	11.0	8.0	6.0	4.0	9.0
Mean	97.2	73.1	72.4	99.2	84.6

Source: *Chain Store Age research*

GMM: Jack of all trades

When Marcia Blizniak entered retailing 18 years ago there were plenty of women buyers in the field but few female merchandising executives.

"Women have always had a good 'feel' for buying soft goods, but they rarely made it into management in those days," she says.

Today, Blizniak is a senior vice president and one of three general merchandise managers, all women, for the marketing division of Associated Dry Goods. Clearly, attitudes toward women in management have changed, if not throughout retailing then at least in certain companies. What hasn't changed, says Blizniak, is the need for a successful merchandising executive, whether man or woman, to have that proper "feel" for buying, that instinctive sense of what will move through one's stores.

"When you look at a line with many different styles, you have to be able to run through the line quickly and sense what will work. You can't analyze every piece in the line," she says.

To nurture the instincts of the buyers she now supervises, Blizniak asks them to get out often into stores—not just other department stores, but also the small specialty shops sprinkled throughout New York. She encourages buyers to read *The New York Times*, visit art exhibitions and otherwise keep abreast of what's happening beyond the immediate world of fashion.

***Blizniak encourages buyers** to be aware of the outside world.*

Retailing has grown so complex since Blizniak emerged from college that merchandising executives must complement their creative instincts with a solid grounding in analytic skills. ADG offers its merchandising personnel rigorous classes designed to help them comprehend the numbers side of retailing better.

"It's no longer just a question of going into the market and saying, 'Well, this is pretty, so I'll buy it for our stores.' You have to understand a chain's entire business," says Blizniak, who now teaches some of the courses on financial skills at ADG.

The increasing complexity of retailing has also made Blizniak look for more trainees who already have store experience.

In order to be a buyer, you have to understand all aspects of retailing, and working in a store can help you do that," she says.

Blizniak oversees a staff of about 40, including five divisional merchandise managers and 25 buyers, so she believes that a good gmm should be able to effectively manage both time and people.

"I have to prioritize my time. If there's a problem in one area, I'll work on that. If it's a 'market week,' I'll go over new lines with buyers. I also try to see each of our major vendors at least once a quarter," she says.

Among her most important duties are developing long-range strategies for the areas she supervises—ready to wear, accessories and shoes—and ensuring that these categories all speak with the same fashion voice in ADG stores.

Spreading herself so thin, Blizniak says that she's become a "jack of all trades, master of none. I rely on my individual merchandise managers to take care of a lot of the details for me." ☐

planning abilities and the experience they bring to their jobs. In fact, when asked what they consider to be their chief responsibilities, 83% chose planning, 58% chose maximizing gross margins, and 50% selected generating sales increases.

Most merchandising executives are seasoned veterans of retailing. The average survey respondent has been in the business 24 years and has served 7.6 years in his current position. The longest average tenure in retailing belongs to variety store executives. They've served an average of nearly 30 years, while specialty store gmms have served the least time, only slightly more

GMMs rate their chains on . . .*

	Department store	Discount store	Specialty store	Big 3	All GMMs
Recognizing performers within organization	3.83	3.37	3.56	3.78	3.60
Training programs	3.09	2.30	2.11	2.83	2.59
Opportunity for promotions and salary increases	3.56	3.32	3.00	3.26	3.31
Treatment of you as a professional GMM	3.97	3.68	3.83	3.74	3.81
Capability of store level staff	3.17	2.95	3.33	3.27	3.14
Capability of buying staff	3.56	3.66	3.61	3.91	3.65
Capability of advertising/store promotion staff	3.29	3.38	3.06	3.36	3.26
Encouragement by your supervisor to speak your mind	3.69	3.92	4.00	3.70	3.80

**Ratings based on a scale of 1 to 5, with 1 being poor and 5 excellent.*

Source: *Chain Store Age* research

than 21 years.

Surprisingly, despite this short tenure, the specialty store people have been in their current jobs the longest, nearly nine years, or almost half of the time they've spent in retailing. Merchandising executives for the Sears, Penney, Ward group have held their jobs as gmms the shortest period, just 6.74 years, or about one-fourth of the total time they've spent in retailing.

After all of this time on the job, merchandising executives still get out to visit the competition's stores more than 18 times a year, on the average, while they make special trips to see nonheadquarters stores operated by their own chains about 17 times a year. Managers for the Big 3 seem most preoccupied with what the competition is doing. They shop competitors' stores twice as often as they see their own.

Overall, soft lines merchandising executives visited competitors' stores about four times more a year

Powell Grows With K mart

In a business where one of every three merchandising executives believes it is necessary to change companies to get ahead, Bill Powell has labored 35 years for one retailer—K mart—and his tenure there has been anything but uneventful.

Powell joined K mart during its heyday as a variety store retailer and was on-hand for the inception of the K mart discount store. He helped open up California for the company and served in key regional positions in the West during K mart's years of rapid expansion out there.

He came to headquarters as director of store planning in the late 1970's, when K mart was opening about 150 stores a year, and has served as a divisional merchandise manager for the past four and a half years—a period during which K mart has radically reshaped its merchandise mix and presentations.

Powell has clearly been part of some of the most dramatic changes in retailing over the last three and a half decades, but in his unassuming way he describes his career as "ordinary."

There is nothing ordinary, however, about a 30-year-old store manager for a predominantly Midwestern retailer pulling up stakes and journeying some 2,500 miles to help break new ground for his company. When Powell arrived in California he found that the vaunted Kresge name was not well known there.

And the timely and efficient distribution of merchandise to stores, something Powell took for granted in his Ohio Kresge, was still a thing of the future.

"It took us awhile to be accepted out there. We had to open a few stores first," says Powell.

By the time Powell was ready to head back East and join the corporate staff in 1976, he had opened three K mart's in California and served as a district manager and a merchandise manager for the West, which has grown into one of K mart's largest and most productive regions.

***Powell joined K mart** 35 years ago and still feels the challenge.*

"I learned a lot from opening those stores. Maybe the most important thing I discovered is the value of training people well and then working hard to keep them with you," Powell says.

Working in the field for more than 20 years has made Powell intensely aware of the need for strong communication between headquarters and store and department managers. He has labored during his tenure as a divisional merchandise manager, first in electronics and now in home improvement and hardware, to improve the flow of information between his staff and K mart's field force.

One of his major projects has been a series of seminars for field personnel on innovations in K mart's home care department. Powell has established a permanent exhibition space for vendors in a facility in Royal Oaks, Mich. There he brings K mart store and department managers to hear presentations from buyers and vendors about new products and changes in the department.

As an old field man himself, Powell can't stay out of stores.

"There's no substitute for being in a store. It's the only way to keep up to date," Powell says.

He likes eying the competition because he knows he'll either find it's not as good as K mart, in which case he'll feel satisfied, or that it is very good, in which case he'll feel challenged.

Although he acknowledges there are many different roads a retailer may take to become a merchandising executive, he is entirely comfortable with the path he has tread.

"There's not a lot I would do differently if I had the chance," Powell says. "The most important thing, no matter what job you're in, is to keep up to date. ☐

Elias changes with retailing

Although retailing has changed enormously in the 31 years since Bernie Elias began in the business, the merchandising side of the profession still requires one basic skill: The knack for judging how well a product will move through one's stores.

"There's really no scientific way to teach that," says Elias, who currently oversees hard lines for Family Dollar Stores.

Elias has been helping school buyers since 1971, when he became hard lines general merchandise manager at Giant Food, which operated both discount and food stores at the time. In 1979 Elias moved over to Family Dollar, which was just embarking on what was to become a period of explosive growth.

"It's very gratifying to be in on something like this and to know that you've helped make it happen," says Elias.

Elias stresses gmmer's need for good judgment.

Elias was clearly meant to be a retailer, and he says that what he enjoys most about his current job is that it gives him the opportunity to continue performing many of the tasks of a buyer while also engaging in more activities typical of upper management, like long-range planning.

"You have to be well-organized. It's one of the most important qualities for this job," says Elias.

To discipline himself Elias has developed a regular routine which begins when he checks data-processing reports from the distribution center and stores first thing every morning.

Eying the computer printouts, however, is just one part of his job. Blending the talents and personalities of a group of buyers is more difficult. "It would be easy just to take one buyer aside and teach him all you know about the business. What's harder is to take a group of buyers with different personalities and blend them together into a productive unit," he says. ☐

than their hard lines colleagues, no doubt because of the seasonal nature of their business and the need to keep abreast of changes in fashion.

Despite all of this experience and confidence in their capabilities, most merchandising executives were unable to say exactly what they consider the most important skills for their jobs. More than half of the respondents could finger no one skill, while 15% listed people management and 5% mentioned financial skills.

The gmms were distinctly more precise about when they expected to be promoted. Indeed, 41% said they have either an excellent or a very good chance of being promoted soon. Another 35% rate their opportunities for advancement in the near future as good. Department store executives are the most confident about their chance for promotion, while discounters and variety store executives are least optimistic about climbing the retailing ladder any time soon. ☐

Where GMMs want more training . . . for themselves

	Department store	Discount store	Specialty store	Big 3	All GMMs
Computer systems	63%	42%	39%	57%	51%
Communication	46	34	39	39	38
Motivating employees	23	26	56	39	32
Training employees	29	37	39	22	32
Planning	29	32	28	39	30
. . . for their buyers					
Computer systems	46%	50%	39%	48%	45%
Negotiating	34	47	44	57	44
Planning	34	53	56	39	44
Communication	46	37	33	26	35
Distribution	34	26	17	30	28

Source: *Chain Store Age* research

Study methodology

Chain Store Age *surveyed general and divisional merchandise managers from the five general merchandise trade classes. A total of 500 questionnaires went out to hard lines and soft lines personnel of which 120, 24%, were returned completed.*

The survey was returned by 38 discount store executives, 35 department store retailers, 23 from the Big 3 (Sears, Penney, Ward), 18 specialty storemen, four variety store merchants and two gmms who did not identify their types of outlets.

Of the respondents, 53% had soft lines responsibilities, 43% hard lines and 4% unknown.

***Over the past 10** years, only toys showed a significant improvement in its responsiveness to consumer needs.*

Consumers cite lack of responsiveness

Asked to rank six consumer goods industries on responsiveness to consumer needs, shoppers gave only one category—toys—significantly improved marks from 1974 to 1983, according to surveys commissioned by the National Housewares Manufacturers Association.

The '83 survey, based on a random sample of 1,940 households drawn from the Home Testing Institute consumer panel of 125,000 households, parallels studies undertaken in '79 and '74. In each, shoppers were asked to rate—on a scale of one to six with six being most responsive to consumer needs—the food, apparel, housewares, furniture, toy and automobile industries.

Once again, the food industry was perceived to be the most responsive (this was also true in the two previous surveys) with an overall rating of 5.07.

Apparel ranked second and housewares third, but these two categories plus food have remained remarkably stable in all three surveys.

On the other hand, the furniture, car and toy industries all rated less than three in the the most recent survey with furniture and cars dropping in rank. Happily for toy manufacturers and retailers, this category—which scored a dismal 2.19 in '74—has continued to steadily improve its ranking, climbing to a 2.72 in the most recent survey.

Since apparel and housewares are both fashion categories—often responding to flashy fads like the apparel sparked by the movie "Flashdance" or timely trends like the move into gourmet cookware—quick responsiveness by suppliers is important in generating continuous sales for retailers.

Food, too, is getting into the fashion act. While no one may be surprised that Bloomingdale's is selling "gourmet" ice (a 35-oz. bag is $7), more than a few eyebrows might be raised at the idea of K mart selling tins of caviar in some of its remodeled units.

Furniture, while also a fashion

Toy industry shows greatest improvement in its ranking

	Average industry rank on responsiveness to consumer needs*		
	1983	1979	1974
Food	5.07	4.79	4.96
Apparel	3.81	3.72	3.84
Housewares	3.52	3.51	3.42
Furniture	2.97	3.24	3.20
Automobiles	2.91	3.29	3.39
Toys	2.72	2.46	2.19

Source: National Housewares Manufacturers Association survey on Consumer purchase habits
*Based on a scale of 1 to 6, with 1 being least responsive and 6 most responsive.

category, needs to change its sluggish image. Creating the right living environment is just as important as wearing the right apparel or serving the "in" foods on the correct dishes. Retailers have recognized this and many are beefing up their home departments to grab additional sales.

The movement into total home furnishings by name designers from Ralph Lauren shops in tony department stores to Gloria Vanderbilt boutiques in upscale discounters like Venture will only heighten the spotlight on the home.

Study focuses on singles: Because of changes in national demographics the '83 study focused on single consumers—baby boomers in their 20's and 30's and "empty nesters" in their 50's and 60's. These consumers generally looked more favorably on housewares, giving the category a 3.65 rating, and on apparel, its rating climbing to 3.98. Food dropped to 4.78.

The survey underscores the need for manufacturers and retailers to work together.

Toys was ranked lower by singles, falling to 2.62. But these shoppers may have little awareness of new introductions or innovations in this industry which may partially explain the low rating.

Likewise, younger, more affluent consumers generally were more favorably impressed by the responsiveness of the housewares industry. These shoppers—often considered the trend setters or "influencers"—form the core of future housewares shoppers as they begin to set up housekeeping.

The survey underscores the need for manufacturers and retailers to continue working closely together to interpret and respond to consumer needs. While retailers can provide the theater—through exciting displays—there must be a constant flow of innovative, quality merchandise from manufacturers to fuel continued sales growth. ☐

—Christina Gruber

Importance of price seen leveling off

The American consumer is judging housewares purchases with an eye more on color/design and quality and less on purse strings or the brand name attached to the item, according to a survey by the National Housewares Manufacturing Association.

Consumers were asked to rate the relative importance of six factors on their purchase of gadgets, cook and bakeware, serving and buffet products, bathroom accessories, small electric appliances and outdoor products. The mention of price as the most important factor either remained the same as in a similar survey conducted in '79 or declined slightly in all six product categories.

The importance of color/design has increased since '79 in every category except serving and buffet accessories while brand name significance fell in all six.

As price shopping becomes less important, retailers in both department stores and discounters who are upscaling their mix and presentation should reap the benefits. Price may become even less important as consumer interest in gourmet foods and cookware—usually very pricey items—translates into the rule rather than the exception.

The effects of this subtle shift

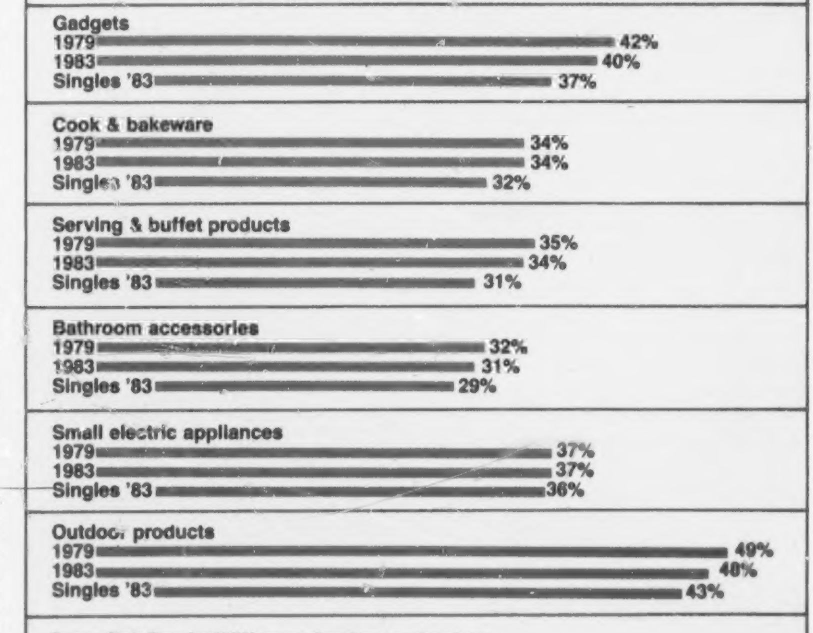
Department stores reap lion's share of bathroom, serving products business

	Discount		Department		Hardware		Other*	
	'83	'79	'83	'79	'83	'79	'83	'79
Gadgets	48%	53%	24%	24%	6%	10%	22%	13%
Cook & bakeware	43	53	38	24	9	10	10	13
Serving & buffet products	30	33	53	57	3	6	14	4
Bathroom accessories	35	40	51	47	4	6	10	7
Small electrics	49	53	34	33	8	10	9	4
Outdoor products	42	46	21	20	33	30	4	4

*Includes catalog showrooms, food stores and variety stores

Source: *Chain Store Age*/NHMA survey of consumer purchase habits

Price is less important to singles than to the general public



Source: *Chain Store Age*/NHMA survey of consumer purchase habits away from price are already apparent. For all six categories, the reported popularity of discounters decreased from '79 while department stores made significant gains. Single consumers were even less enchanted with discounters.

This group of consumers (mostly in their 20's-30's and 50's-60's) registered more concern with color/design and selection and less with price and brand than the general public. So, it is not surprising that they are willing to pay for quality and prefer department stores.

The growing availability of trendy off-price housewares stores and the promotional climate in many department stores may signal the continuing erosion of discounters' market share.

The importance of display was underscored by the survey. Consumers reported they depend on in-store displays as well as print and electronic media advertising for information on new products.

While department stores generally get high marks for display, discounters often let the self-service environment do the selling without creating excitement about new products.

Overall, American consumers believe that housewares products are well made, but the perception that items are usually inexpensive/reasonably priced decreased in all six categories since '79.

Design is important to consumers: Six out of 10 consumers polled said they have a particular theme or decor in their kitchens, with the highest rating coming from higher income shoppers aged 40 to 49. Just 54% of singles mentioned a specific kitchen decor.

Country decor is named by 30% of consumers polled (25% of singles) with traditional and modern both garnering 19%. Contemporary is cited by 24% of singles but only 13% of the general population.

The survey indicates that consumers try to coordinate their housewares purchases with the color/decorating themes in both their kitchens and bathrooms, a trend that will probably continue as the home continues to be an ego-sensitive fashion statement. ☐

Home products pace sales gains

The home as a rediscovered and pampered castle became highly evident last year. Merchandise departments identified with home beautification, decor and entertainment enjoyed the best sales gains, many in double digits, while only hosiery, among apparel categories, managed at least a 10% increase.

Overall, general merchandise sales increased 9.2% to hit $459 billion.

As it did a year ago, lawn and garden led all departments in percentage gains. Its 21.3% boost followed a 28.3% hike in '82. Consumers just seem to be taking better care of their greenery and surrounding themselves with better lawn furniture. There's hardly any other explanation for such growth in an area that has not had the benefit of numerous and exciting product introductions.

Home beautification and entertainment merchandise enjoyed the best sales gains.

Consumer electronics has so benefited. For retailers the toughest part of running a CE department was not building sales but maintaining gross margin.

Domestics and housewares, the latter both of the electric and nonelectric variety, garnered better than average sales increases.

As a fashion statement vehicle, domestics appears to just be hitting stride. Last year's Ralph Lauren shops have been the vanguard for more interest by department stores in the offerings of Yves St. Laurent, Terence Conran and Perry Ellis, while discounters have turned to Gloria Vanderbilt for cache.

Toys and hobby crafts received strong support for basic toys and crafts.

Top 20 departments

Rank	Department	1982 sales	1983 sales	% change
1	Automotives	$ 72,100,000,000	$ 76,400,000,000	+ 6.0
2	Hardware	57,800,000,000	62,500,000,000	+ 8.1
3	Women's wear	42,300,000,000	45,900,000,000	+ 8.5
4	Nonelectric housewares	26,200,000,000	29,100,000,000	+11.1
5	Lawn/garden	23,600,000,000	28,600,000,000	+21.3
6	Consumer electronics	24,500,000,000	28,000,000,000	+14.3
7	Stationery	23,000,000,000	25,800,000,000	+12.2
8	Men's wear	20,500,000,000	21,800,000,000	+ 6.5
9	Footwear	19,700,000,000	21,000,000,000	+ 6.6
10	Domestics	14,800,000,000	16,600,000,000	+12.2
11	Cosmetics/H&BA	16,000,000,000	16,300,000,000	+ 1.9
12	Electric housewares	14,100,000,000	15,700,000,000	+12.1
13	Children's wear	14,500,000,000	15,600,000,000	+ 7.6
14	Sporting goods	13,000,000,000	13,500,000,000	+ 4.1
15	Toys	9,000,000,000	10,400,000,000	+15.6
16	Photo	9,800,000,000	10,400,000,000	+ 6.1
17	Accessories	7,900,000,000	8,900,000,000	+12.0
18	Hosiery	4,400,000,000	4,800,000,000	+10.0
19	Sewing	4,000,000,000	4,000,000,000	N/C
20	Hobby/Crafts	3,200,000,000	3,700,000,000	+16.1
	Totals	$420,400,000,000	$459,000,000,000	+ 9.2

*Total industry sales including specialists, drug stores and supermarkets.

Source: *Chain Store Age* research

Sales: $8.9 billion

***This year color** has had a major impact on accessories.*

Belts unbuckle accessories biz

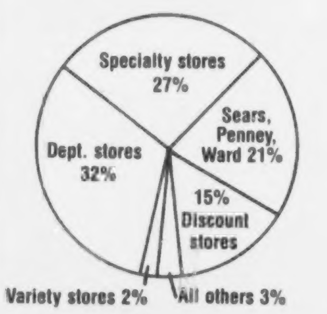
It was a very good year for accessories in 1983—the only thing retailers had to do for sales was to carry merchandise. With some retailers reporting exceptional gains exceeding 30%, the industry's volume approached the $9 billion mark. Overall, the $8.9 billion total represented a 12% increase in 1983 sales over 1982's $7.95 billion.

"It was an excellent year," says Warren New, accessories dmm at Gottchalk's. "The market came up with new concepts and directions that impacted all areas."

Jewelry, by far, was the most affected and led the category in sales gains. "It's right at the sensational level," says Allen Day, Duckwall-ALCO's accessories dmm.

Twisted beads and the African Safari-inspired, chunky, clunky necklaces currently sweep the country with burnished metals gaining popularity. Retailers expect these trends to continue through to the end of 1984. Additionally, Foley's accessories dmm Ron Baltruzak sees a return to the styles from the 30's and 40's, noting the increased appearance of rhinestones and imitation gems.

Market share by units



Source: *Chain Store Age* research

Productivity breakdown

	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	$170	$140	$115
Annual turnover	3.4	4.1	4.0
Gross margin	48%	45%	41.6%

Source: *Chain Store Age* research

Growth areas

- Belts
- Sunglasses
- Costume jewelry

Color, too, has had an influence on the accessories business, especially fashion items such as belts and sunglasses. All tiers of retailers report broadening their belt selections beyond the basic black, brown and beige thin leather dress belts. Now, they not only include a colorful array of thin belts, but also a rainbow of wider widths. In fact, Duckwall's Day and Foley's Baltruzak point out that it is these wider belts that currently lead the belt classification in sales.

As for sunglasses, the classification has grown into a year-round fashion business thanks to the acceptance of a broader color spectrum. In addition to replacing lost pairs, women are coordinating sunglasses to outfits and varying their appearances with different frames, say the merchants. Gottchalk's New adds, "We're selling two and three pairs at a time."

Other women's accessories that have had good track records are animal/people slippers, hats and gloves. For example, Gottchalk's had a spectacular '83 Christmas selling through 16,000 pairs of people slippers while Duckwall-ALCO does year-round big business with painter's caps at $1.99-$3.69.

At a Northeast department store company with a 1983 estimated volume of $400-plus million, colorful knit gloves boosted last winter's accessories sales. This fall, the dmm expects the color trend to continue, in addition to fashion-forward leather gloves (such as those tying at the wrists) adding to volume.

Even men's accessories continues to pick up speed this year, after accounting for 8.6% of last year's total accessories volume. Gottchalk's men's dmm Ron Gernandt says, "The men's accessories business is improving each year. Anything that's useful or functional, like tie clasps, pin throughs, lint brushes or tote bags, is doing well."

Last year men's accessories had a small sales increase of approximately 4% while unit sales slipped slightly by 0.5%. Ties and wallets were the only categories to advance. □

AUTOMOTIVES

Sales: $76.4 billion

***People are keeping** cars longer, and spending more on dress-up.*

DIY down, dress-up up

Sales of new cars are on the increase. For the first four months of '84, 3.5 million new cars rolled out of dealerships and onto the roads, according to the Department of Commerce. During the same period in '83, only 2.8 million new cars were sold. This influx of new cars is lowering the average age of cars on the roads slightly. However, for every new car sold, three used cars change hands.

This doesn't necessarily mean bad news for the automotives aftermarket. But retailers may have to rethink merchandise mixes to carry the items new car owners and new used car buyers want.

The hottest-performing category over the past year has been interior dress up—seat covers, car mats, decoration and cover-up items. One $200 million East Coast discounter notes that seat cover business was up 250% over '82, and mats were up 175% over the preceding year.

Consumers are also willing to trade up to the fancier, higher-priced styles. Genuine sheepskin seat covers, priced at $47-$50, are moving out of discounters.

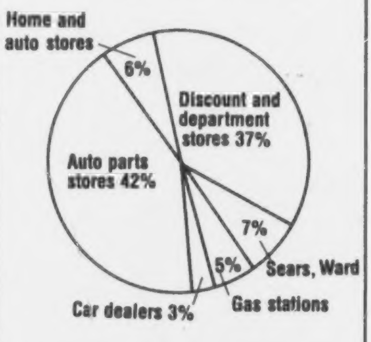
"People are keeping cars longer and are spending more to keep them looking good," says a source at the East Coast discounter. "Car owners are very conscious of resale value."

"Seat covers are an excellent category," says Robert Bleakly, senior buyer of auto accessories at K mart. He expects the business to keep up at the same rate through the end of '84.

While the discounters and catalog chains have been doing well in "dress-up" accessories, many other areas have been flat. "Many categories weren't particularly strong in '83, but we held our own," says K mart's Bleakly.

One surprising soft spot was waxes and polishes. With people spending more to keep cars looking good, it was expected that finish protection would be a hot spot. The East Coast discounter thinks that with so many sku's available now, "customers are so confused they're going back to traditional waxes, like Turtle Wax. That business is up slightly, while the newer products, like Polymers, are down."

Market share by units



Source: *Chain Store Age* research

Productivity breakdown

	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	$95	$122	$120
Annual turnover	2.2	3.0	3.3
Gross margin	29.1%	27%	26.7%

Source: *Chain Store Age* research

Growth areas

- **Seat covers**
- **Car mats**
- **Car stereo**
- **Security**

Also soft are some DIY categories. Sears has noticed a trend away from DIY, particularly in shock absorbers. "Instead of carrying them out, customers are having us install them," says Dick Willoford at Sears. That may be O.K. for Sears, which handles both DIY and installation, but bad news for stores with take-out-only departments.

Another area where stores can expect to see less DIY volume is in suspension parts, thinks Willoford. More cars today are utilizing MacPherson struts, which are harder to install.

With more newer cars on the road, some tune-up items will get softer. More cars today have electronic ignition which don't need points and condensers. Customers with electronic ignition cars will also be less inclined to try to do tune-ups themselves, retailers believe.

Car sound was iffy, with Sears reporting weak sales in '83 but a pickup in '84. K mart expects good sound sales in '84 with its brand name program featuring Jensen and Panasonic.

The next year will find retailers rethinking automotives mixes to eliminate soft DIY lines. More square footage will be devoted to the more profitable dress-up items that any car owner can install.

However, some chains are still bullish on DIY. K mart has opened for auto parts centers in the Mobile, Ala., area, with 10,000 parts in a self-service format. The parts centers stores may possibly replace the automotives centers that K mart closed in the South last year.

Ford Motor Company is also getting into the DIY area with Ford parts stores set up in dealerships across the country. ☐

HARDWARE

Sales: $62.5 billion

***Hardware production** often does not meet consumer demands.*

Hardware out of the doldrums

After two years of sluggish performance, hardware sales grew to $62.5 billion in 1983, up 8.1% from $57.8 billion in 1982. Most buyers confirm sales increases last year, but there's little agreement as to just what accounted for the gain.

"There were no appreciable increases in any single category that would make you jump up and say, 'Hey—look here,' " says a buyer for an East Coast discounter with sales in excess of $500 million.

The reason for any lack of agreement may be that many retailers are changing their target customer in response to an apparently segmenting market. Small businesses, white-collar hobbyists and do-it-yourselfers, and the traditional blue-collar consumer have, with varying degrees of success, each been targeted by different retailers as their primary customer base.

The triple-positioning of hardware in Sears "store of the future" prototype typifies a department moving in three directions at the same time. At the Sears prototypes, hardware is placed between paint and lawn and garden, which has been moved out of the department and now receives a separate fashion treatment.

Hardware itself is targeted toward professional industrial tools for the small business, small tools for the home craftsman and traditional blue-collar staples. Sears apparently believes that there is no longer a single hardware market, but three.

Among general merchandisers, Sears is still the acknowledged leader when it comes to bench tools, but discounters are beginning to move into the category with some success.

"Bench tools are definitely on the rise," says a mid-Atlantic discount merchandise manager. "For many mass merchandisers it's a relatively new category that will probably grow even bigger this year. The only problem is how many times somebody is going to buy them—it's not a repeat business."

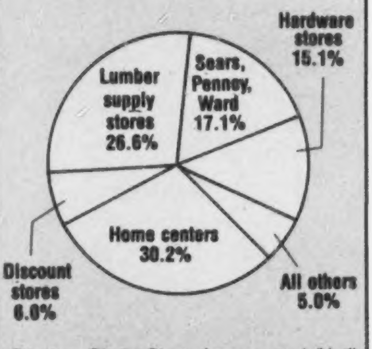
Power tools are a different story. Most buyers report sales have remained stagnant over the last three years. "It's a dwindling business," says the East Coast discounter. "If you want proof of that, just look where Black and Decker is spending its advertising money—in anything but power tools."

Paint, pegged as a major growth area last year, proved a disappointment for many retailers. Last year's wet spring and increases in petroleum product prices combined to produce poor external paint sales.

The single point of agreement among hardware buyers was strong growth in ceiling fan sales. "It's been absolutely phenomenal," says the mid-Atlantic discounter. "Styling has been improved and upgraded, and we promote them as decorative and energy-saving."

The single bone of contention among buyers this year is a common complaint that it's increasingly difficult to get product from manufacturers. A rebounding economy has stretched shipping into the United States to the limit, and delays are common. Domestic manufacturers have also been caught off guard with production capacity not up to consumer demand. ☐

Market share by units



Source: *Chain Store Age* research/Nat'l Retail Hardware Assoc.

Productivity breakdown

	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	$120	$200	$165
Annual turnover	1.8	3.6	2.6
Gross margin	33.9%	33.2%	32.1%

Source: *Chain Store Age* research

Growth areas

- Ceiling fans
- Craft and hobby tools
- Bench tools

DOMESTICS

Sales: $16.6 billion

***Better goods helped** boost sales of basic sheets and towels.*

Flannels heat up sheets business

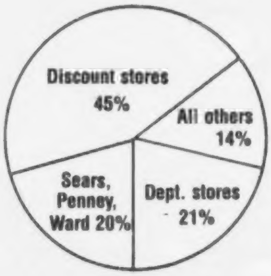
Retailers are pleased with 1983's 12% to 15% increase over 1982's domestics sales. Moving away from the "52-week white sale" promotions by offering customers better and more fashionable goods helped boost basic sheets and towels to approximately one-third of the $16.6 billion volume. However, the real growth came from building the smaller, under-developed businesses such as kitchen textiles and flannel sheets. This year, growth expectations continue along the same lines.

"Kitchen textiles has been a stepchild in domestics," says an exec at an East Coast department store with a 1983 estimated volume of $200-plus million. He explains that retailers have neglected the category, using funds to back other volume-producing departments such as sheets and towels. Although kitchen textiles can't produce the same kind of volume, the exec says its higher margins can add to domestics profits when supported by management.

Flannel sheets, too, have been an overlooked business. Calling it the "item of the year," domestics consultant Seymour Seidman predicts that the category will account for one-third of all sheets bought by retailers from February through August.

While retailers don't argue that flannels are "hot," they do express concern that a repeat of last year's poor mill deliveries could cool off sales. In order to avoid this complication, some merchants say they have placed orders larger than last year's, earlier this season.

Market share by units



Source: *Chain Store Age* research

Productivity breakdown

	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	$95	$90	$105
Annual turnover	2.0	2.0	2.5
Gross margin	41.7%	35%	33.1%

Source: *Chain Store Age* research

Growth areas

- Flannel sheets
- Kitchen textiles

Danner's domestics buyer Mike Romero says "Flannel sheets were magnificent last year. We plan to double our business for fall."

Danner's will open its selection with a $9.99 polyester/cotton twin. "We stayed away from imports [the primary source for all-cottons] because of price," says Romero. "Also the styling wasn't there."

A third category coming on strong is curtains and draperies. In particular, discounters say that consumer interest in country styling and in romancing their homes has pushed sales of Priscillas upward.

Department store execs, on the other hand, haven't experienced the same growth in this department and some have chosen to pare down or abandon the category. However, Emporium Capwell's home textiles dmm Robert Swenson says, "We're seeing the whole division grow. Draperies have been strong but perhaps it is due to our major competitor—Macy's—going out of the business."

Lastly, all retailers wait with bated breath as upscale discounters such as Bradlees and Venture test new merchandising concepts with Stevens' Gloria Vanderbilt collection. If these merchants are successful with it, it could change the way discounters sell domestics.

At Bradlees, for example, 300 to 700 square feet have been sectioned off to form freestanding Gloria Vanderbilt shops, similar to department store presentations of collections. Home textiles dmm Glenn Gately says that the shops will remain exclusively Gloria Vanderbilt at least through the fall season.

Another Bradlees first—also a department store knock off—is the use of actual beds displaying the Gloria Vanderbilt sheets. On nearby fixtures, the 200-thread merchandise is sold open stock instead of in sets which are used for 120 and 180 sheets at most discounters.

Additionally, the collection introduces new ceilings for price points. Previously, the top-priced Bradlees' bath towel was $8; the Gloria Vanderbilt towel retails for $10. ☐

FOOTWEAR
Sales: $21 billion

***Athleisure shoes continue** to build traffic in shoe departments.*

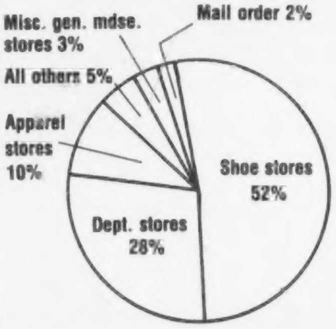
Sales solidify in jellies

Footwear sales jogged ahead 6.6% to $21 billion in 1983 with dress and athleisure (those styles bought for casual and/or active use) leading the way. This year, retailers are getting mileage out of jellies (plastic shoes) and flats, while athleisure continues to spring upwards. "Anything that's a little different is selling," explains Ron Baltruzak, accessories dmm at Foley's.

And jellies are certainly different. These colorful plastic shoes, introduced last year and retailing as low as $2 a pair on promotion, have taken the women's market by storm this season. "We can't keep them in" is the cry heard echoing from retailer to retailer. Their impact has been felt in all tiers of retailing from department stores on down to discounters.

Athleisure shoes, too, build traffic in shoe departments, although they continue to steal sales from true athletic footwear. While the trend in athleisure has been toward canvas-styled uppers for the past three years, the department store business has shifted to leather this year. Still, discounters report a strong business with the canvas-styled athleisure shoes.

Market share by units



Source: *Chain Store Age* research

Productivity breakdown

	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	$167	$158	$132
Annual turnover	2.1	2.0	2.4
Gross margin	44%	38.3%	37.8%

Source: *Chain Store Age* research

Growth areas

- **Athleisure**
- **Flats**
- **Jellies**

As in accessories, color influences consumer purchases of both the jellies and athleisure shoes. "We're selling more color than ever before," says Allen Day, shoe buyer at Duckwall-ALCO. "All colors are good." In particular, cobalt blue, red, bright yellow, pink, purple and turquoise are "hot" in casuals this year. Nonetheless, Foley's Baltruzak adds, "If someone would come out with neon colors [like those seen in Europe], we would have an incredible season!"

A secondary benefit to color is in the visual presentation, note retailers. Duckwall-ALCO's Day explains, "Color has helped the shoe department break out of the mundane." Until recently, footwear colors were limited to black, brown, navy, white and beige tones, the best-selling colors of "true" shoes.

Ken Crerar of the Footwear Industries of America (FIA) says that true shoes account for $19 billion of the total 1983 footwear sales, showing a 9.2% gain over 1982's $17.4 billion. In fact, discounters concur by citing large increases in this area. An exec with a shoe leasee of several major discounters, explains, "It's [women's dress shoes] something we haven't been in before. Pumps, especially, were big in 1983."

All other footwear sales fell 13%, notes the FIA statistics. Foley's Baltruzak adds, "Dress shoes were doing so well that most retailers bought into them heavily. Then the consumer wanted casual. We [the industry] couldn't change over fast enough [to help 1983 sales]."

Meanwhile, the dress category appears to be hibernating during the first three quarters of 1984. Retailers expect some movement in the last quarter as women replace worn-out items.

Flats, on the other hand, are capturing the unspent dress shoe dollars. All over the country, retailers say that their pump business has fallen off. According to fashion experts, flats are more in tune with today's exaggerated proportions of women's clothing. □

CE/COMPUTERS

Sales: $4.2 billion

***Computer sales also boost** peripherals, accessories and software.*

Shakeout starts, but sales soar

It finally happened last year. After all the talk, grumbling and rumor, the much predicted shakeout in home computers actually came to pass. Texas Instruments left the home market with a bang. Mattel and others with a whimper.

Did that mean home consoles sold any less? Not in the least. Nearly 4.5 million units were sold last year with department stores and discounters upping their market share to a full 50%. By the end of 1983 household penetration had already reached 7%.

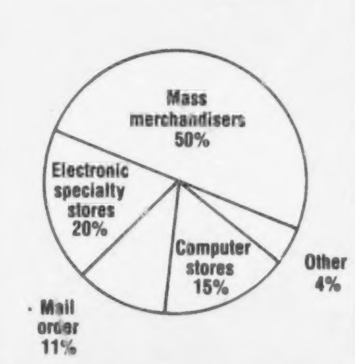
How much further can it go? This year industry analysts expect home machine sales alone to top $2.5 billion. Software sales should tip over the $2 billion mark, virtually doubling their 1983 performance.

But while sales continue to soar, the exit of key manufacturers from the low end of the market, lack of product at the middle and retailers hesitant to enter the high end seem sure to combine for major realignments.

With the Texas Instruments 99/4A and Timex Sinclair 1000 out of production, the lion's share of the low end home computer market has fallen into the lap of Commodore. The problem with Commodore, according to many retailers, is that it's easier to sell their product than it is to make a profit doing so.

"What Commodore did," says a computer buyer for a mid-Atlantic discounter, "is that they wholesaled the 64 at $190, then they turned around and advertised with the strong suggestion the machine retailed at $195. You end up losing money with every sale."

Market share by units



Source: *Chain Store Age* research

Productivity breakdown

	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	N/A	N/A	N/A
Annual turnover	N/A	N/A	N/A
Gross margin	24%	22%	18%

Source: *Chain Store Age* research

Growth areas

- Computer packages
- Peripherals
- Software

The response by many retailers has been an increased emphasis on packaged computer systems, peripherals, accessories and software, where gross margins remain a profitable 20%-50%.

"There's still money to be made even at the low end of the market," says Richardson, Tex.-based Future Computing analyst Tricia Parks. "Successful retailers are selling more than just consoles."

The perfect computer for the midmarket in 1983 should have been Coleco's Adam. The much ballyhooed computer/game machine/word processor/printer seemed destined for instant success. But Adam was plagued by frequent breakdowns and returns.

"We were returning almost as many as we were selling," says G. C. Murphy electronics buyer Frank Remalely. "Coleco is going to have to prove itself."

In 1984 the midmarket product gap will find new entries to plug the hole. The Apple IIe has finally made its long expected price drop and should grab a forceful market share. The delayed entry of the Japanese MSX machines into the American market should provide Apple with a clear opportunity to dominate the mid market. The unanswered question is whether or not such a market exists. Consumer research continues to show demand bunched at the under $300 and over $2,000 ends.

At the high end business and professional market, the competition is thick, but most chain buyers are still steering clear of top-of-the-line machines, even though they offer more stable and more generous gross margins.

There are major exceptions. Sears plans to double its Business Systems Centers this year for a total of 100. Department stores, including Macy's New York, its Bamberger's sister, Broadway southern California and Minneapolis-based Dayton's continue to take a strong position at the high end of the market. ☐

STATIONERY

Sales: $25.8 billion

Stationery by the Pound
Stationery by the Pound
Stationery by the Pound

***Drug chains and** supermarkets control over half the market.*

Food chains eat up market share

The upward trend in home office and stationery supplies continues unabated with chain retailers reporting 10% to 15% sales gains in 1983 and predicting similar increases for 1984.

But coupled with the sales surge is a continued realignment of market share. For the first time, drug chains and supermarkets now firmly control over half the market, prodding more traditional stationery sellers to reposition in response to increased competition.

"Food chains are doing more stationery business now than ever before," says Woolworth buyer Bill Young. "At one time they didn't have the expertise, but now we definitely know they're out there."

In response to heightened competition, many general merchandisers are abandoning stationery basics for higher priced home office supplies and top-of-the-line writing and paper products.

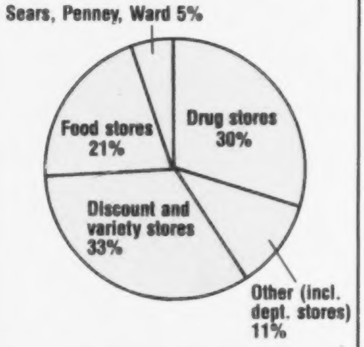
"Department stores are losing business to the food stores," says Boston-based Filene's dmm John Lamonte. "The direction we are taking in our business is away from the budget and lower- to moderate-priced items on the dump table at the end of the spaghetti aisle. Instead, we're strongly going after the more sophisticated customer with upscale, upgraded, high quality, hi-tech goods. We're trying to set ourselves apart from the rest of the industry."

Even venerable Woolworth is testing a series of upscale products including quality boxed stationery, paper for home computer printers and computer disc storage devices with an eye toward chainwide distribution in the next year.

The move toward home office is prompting discounters to join the action. Typewriters, dropped by many chains in the last five years because of low profitability, are now making a comeback, often finding themselves cross-merchandised with traditional stationery products. Connecticut-based discounters Ames and Caldor have jumped in with entries at the low end.

Wal-Mart, the nation's second largest discounter, is taking the home office move an intriguing step further. The Arkansas-based retailer is now specifically targeting a portion of its stationery trade to the small business customer. After selling successfully at Sam's Wholesale Club, electronic cash registers have been moved into its regular store mix.

Market share by units



Source: *Chain Store Age* research

Productivity breakdown

	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	$106.30	$116.21	$127.92
Annual turnover	2.8	3.2	3.6
Gross margin	42.5%	36.7%	39.2%

Source: *Chain Store Age* research

Growth areas

- **Home office**
- **Greeting cards**
- **Erasable pens**

All of which is not to say that the staples of the stationery business are not performing well. Back-to-school goods, especially filler paper and theme books, continue strong in variety and discount stores, but are plagued by low margins generated by heavy promotion.

Frames, albums and desk accessories were strong performers for just about every category of retailer last year, and predictions for the current year are equally optimistic.

Greeting cards, unhampered by postal rate hikes for the last three years, continue their upward trend. "Sales have been surprisingly good," says Woolworth's Young. Industry sources expect greeting card sales to gain 10% this year to $7.7 billion.

Erasable pens, pegged by some retailers last year as only a short-lived teen novelty, have proved they have broader and more lasting appeal than many expected. Fast sales continued beyond the back-to-school season, and with the pens finding their way into more and more adult pockets, industry observers suggest they have already become a permanent addition to the assortment. ☐

Sales: $15.6 billion

***Retailers hopeful about** impact of birthrate turn-around.*

Best gains for infants-toddlers

There's a boom about to take place in children's wear, say retailers, who see the growing birth rate, the strength of the economy and the recent resurgence in sales of preschool apparel as causes for optimism. In 1983, however, children's wear performed unevenly, with toddlers and infants merchandise showing impressive gains but sales of clothing for older children remaining soft.

As the birth rate has risen in the last several years, so have sales of children's apparel. In 1983 there were more births in the country than in any year since 1970, and sales of preschool apparel hit record highs, increasing by about 15% and leading the entire children's wear category to a moderate 7% sales gain.

Despite the sales growth in infants and toddlers, these categories remained extremely price competitive because of the continued spread of off-price outlets and the increasing aggressiveness of department stores. Many large department store chains have begun "everyday low price" programs or increased their promotional activity in basic lines to protect against further erosion of market share. In response to the opening of several Kids 'R' Us stores, Bamberger's slashed its children's wear margins and resolved to be priced as low as all competitors.

Perhaps the most dramatic result of this intensified price competition is that the middle fell out of the infants and toddlers market last year. The high end remained stable because of the large number of gift purchases of children's wear. The basic business, however, dropped into the low-end as parents, who buy most of the basics, continued to demand strong values on children's wear.

The extreme emphasis on value helped make sets popular in infants and toddlers last year, especially jogging suits.

The popularity of jogging suits exemplifies a continued trend toward an older look in children's wear. Activewear, especially of fleece composition, remained strong, as did coordinated outfits tailored in adult styles.

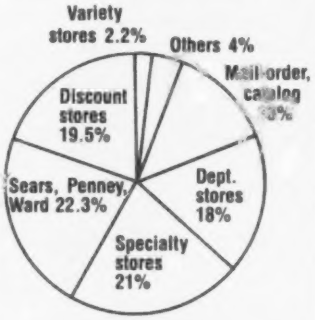
"Fashion definitely became a more important factor in the toddler market last year for us," says Mary Ellen Alden, buyer at Carlisle's, the Ohio-based department store chain. She reported strength in Christian Dior sportswear for children and T-shirts, shorts and jogging pants in the camouflage design which has been so popular with older children the last few years.

Sales of apparel for older children remained much more of a mixed bag in 1983, in part because of the uneven way designer lines performed. Discounters grabbed a larger share of the designer market, but they stayed with recognized names which have already peaked. In the high fashion end of the business, Esprit is quickly becoming the most notable name in girls' apparel. The line has been entrenched in West Coast department stores for several years and is moving East rapidly.

In boys' wear no clear winner emerged, although traditional names like Izod and Polo showed strength in secondary markets. A chain of 10 department stores in the Southeast has committed $45,000 for new fixtures for Polo shops. Children's wear accounts for 6% of space in the chain's stores and is being expanded to make room for designer collections like Merona and Liz Claiborne.

Despite the instability of the older children's apparel market, most buyers are optimistic. It's only a matter of time, many of them believe, before the boom taking place in infants and toddlers rolls into the older segment of the market. ☐

Market share by units



Source: *Chain Store Age* research

Productivity breakdown

	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	$93	$111	$103
Annual turnover	2.8	3.0	3.2
Gross margin	41%	39%	34.8%

Source: *Chain Store Age* research

Growth areas

- **Toddler coordinates**
- **Activewear**
- **Esprit designerwear**

COSMETICS/H&BA

Sales: $16.3 billion

PRESCRIPTIONS
Winter Survival Offer
Cough/ Cold Center

***Discounters gain OTC** drug market in spite of drug stores.*

GMers gain in OTC drugs

Sales of over-the-counter drugs will double between 1982 and 1988, according to the Commerce Department, and much of that new volume will move through general merchandise chains, especially discount stores, which continue to gain market share at the expense of drug stores.

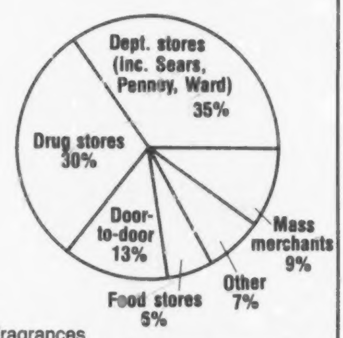
These stores now account for about 13% of category volume, up from 10% in 1981. The gains have come largely because of the vulnerability of independent drug stores, but even drug chains have not succeeded in stemming the flow of OTC sales toward outlets which do not have pharmacies. If the trend continues, general merchandise retailers will probably register sales of about $2.5 billion in this category by 1988.

"We see OTCs as a major growth area," said Ken Colson, a divisional merchandise manager at Woolworth. "The chain's largest stores now carry 366 sku's in this category," continued Colson at a gathering of vendors focusing on trends in OTC sales, sponsored by C. H. Kline, a research company.

Colson's optimism and that of other general merchandise retailers is fostered by the increasing trend among Americans toward self-medication, a phenomenon nurtured by the Food and Drug Administration which, since 1977, has switched 25 products from prescription to OTC status.

In May, the F.D.A. cleared ibuprofin, the first new OTC analgesic made available in 25 years. Under the brand name Nuprin, it will offer an alternative to the aspirin, acetaminophen or combination products which now constitute the $1.3 billion nonprescription pain-relief market.

Market share by units*



*Fragrances
Source: *Chain Store Age* research and Charles H. Kline Co.

Productivity breakdown

	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	$235	$115	$110
Annual turnover	2.8	3.1	4.4
Gross margin	39.0%	32.0%	21.3%

Source: *Chain Store Age* research

Growth areas

- **Hair preparations**
- **Ethnic products**
- **Skin care**
- **Men's skin care**

Backed properly, new OTCs have proven they can sell well in stores which do not have pharmacists to counsel customers. Sudafed, once available only by prescription, is now among the top selling cough/cold remedies in discount stores.

Those kinds of results have encouraged general merchandisers to take a closer look at their OTC mix. Woolworth recently completed a series of nine planograms for its H&BA departments. OTCs occupy 21% of the space in the new sets. Woolworth now strives to deal directly with most vendors in the category. Nearly 9 out of every 10 nonprescription drugs Woolworth stocks are handled in this manner.

OTCs will clearly become more important to general merchandise retailers over the next few years. Not only will category volume grow rapidly, but many of the newest products on the market, especially those which come off the prescription list, will carry higher-than-normal gross margins.

In addition, general merchandise retailers are bullish on fragrances, now that the economy is back on track. Fragrances grew only 2% above inflation last year, according to the Commerce Department.

Skin care volume leaped ahead 20% over '82, as did ethnic products. Sales of ethnic products are expected to double over the next five years as the ethnic population grows to 47 million by '89.

Hair preparations are expanding at a 12% clip per year, thanks to new shampoo introductions and the return of hair spray and the new styling mousse.

Hot items for '84 will be the deocolognes—all over body sprays. Lever Brothers' Impulse already commands 3.5% of the deodorant/antiperspirant market. And this may be the year that men's skin care finally takes off. The Skin Control System, with the eternally youthful Dick Clark as spokesman, has been snapped up by Montgomery Ward and Penney. Sears is taking a wait-and-see stance. ☐

SEWING

Sales: $4 billion

***Sewing retailers have** a hard time attracting working women.*

Sewers stitch up stagnant sales

For sewing retailers, the best that can be said about 1983 is that it's over.

Cold, damp weather during the spring and excessively hot temperatures during the summer held the home sewing industry to a poor showing. For the third year, sales hovered around the $4 billion mark.

"[Store for store] comparisons with '82 were hard to match as that was an excellent year," says Fabri-Centers of America senior vp Mike Feuer, "due to a major resurgence in the popularity of dresses and the blip caused by so many big retailers dropping out of the category.

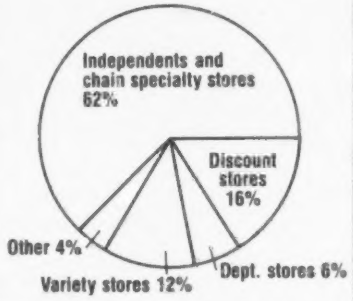
"Naturally, '84 will be a better year as we're up against lousy numbers. People who put their dollars into durable goods in '83 will look to upgrade their wardrobes this year."

But retailers agree it was "Mother Nature" who really stemmed the tide of sales advances made during '82. And they worry that "Father Recovery" may further hurt the industry unless positive efforts are made to make sewing more attractive to more consumers.

The economic upswing—historically sewing prospers during poor economic times—could send consumers back to the racks for their apparel—especially to upscale, off-price retailers. "There's no doubt that off-pricers offering true designer fashions and not private label imports have hurt the industry," says a dmm for a southeastern fabric specialty chain. "We must emphasize fashion in '84."

Retailers do cite increased activity in designer patterns from the major pattern houses as well as European fashions from Burda as boding well for better sales. McCalls, Vogue/Butterick and Simplicity all tout some of the biggest and best-known American and foreign designers in their books. The patterns are more expensive than others—up to $12.

Market share by units



Source: *Chain Store Age* research

Productivity breakdown

	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	$39	N/A	$57
Annual turnover	1.5	N/A	2.5
Gross margin	41%	N/A	33%

Source: *Chain Store Age* research

Growth areas

- **Craft fabrics**
- **Notions**
- **Designer patterns**

But consumers who purchase these patterns are generally serious sewers and also upgrade their fabric and notions to match the designer looks they plan to sew.

"Better fabrics are definitely becoming more important," says Gary Isaacson, president of The Fabric Place in Framingham, Mass. "Why should a customer spend several hours making a blouse out of a cheap fabric when she can buy something luxurious like pure Irish linen and make a classic that she'll wear for years."

Once again, craft fabrics and patterns are an important part of retail sales. Wal-Mart, for example, plans to de-emphasize sewing fabrics and replace them with more craft-oriented fabrics as this is where future growth in the category will be.

At the same time, notions show steady sales growth. Variety stores like Woolworth and New York-based Lamston's find mending items sell very well to busy working women.

Perhaps as a hedge against the continuing stagnation of the sewing industry, some chains are looking into diversifications. Fabri-Centers recently announced it will open an off-price housewares store this fall. Called Cargo Express, the store will feature table top and housewares, and already there is talk of further expansion in '85.

Earlier this spring, House of Fabrics purchased the 35-store Craft Showcase chain from Cole National. While the craft chain had produced sluggish results for Cole for several years, management at House of Fabrics believes it will fit better into *their* business plan. A spokesman says the craft chain will expand this year while existing fabric stores add more crafts to their present merchandise mix. ☐

WOMEN'S WEAR

Sales: $45.9 billion

***Women's fashions are** influenced by movies, TV and the economy.*

Flashdance in '83, MTV in '84

The most influential fashion trend for young women in '83 was inspired by a movie—*Flashdance.* This year, retailers are looking to MTV to dictate what young women want to wear.

Flashdance had juniors ripping up their T-shirts, or better yet for retailers, buying already-ripped looks at substantially higher prices than plain sweats. In 1984, junior fashion will be pretty flashy, with Michael Jackson, Boy George and Cyndi Lauper influencing styles, says Karen Bohnhoff, vp/trend merchandising at Dayton Hudson Stores.

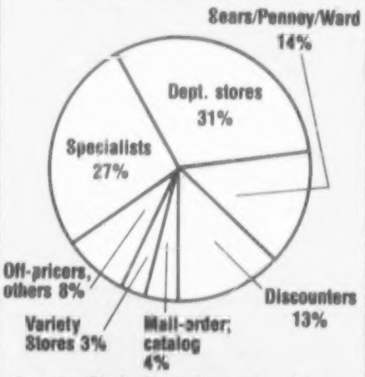
But the androgenous look sported by Boy George and Eurythmics' Annie Lennox won't be confined to juniors. Better women's wear, which ignored the *Flashdance* off-the-shoulder trend last year, will also be looking more like men's wear in '84 and '85.

Women will have three options to choose from, says Lee Hogan Cass, vp/fashion director at The Broadway. The highly contemporary customer can opt for a severe, minimalist approach. The designer customer can pick looks by Anne Klein which feature a softened version. Or the shopper can put together her own personal men's wear look with jackets and trousers.

The remnants of 83's Japanese invasion—cropped pants, cleaned-up necklines, boxy tops—will also be with us through the end of the year. The Japanese influence has now impacted on juniors and dresses. "If it's not taken to extremes it can be good," says Robert P. Moran, fashion merchandising director at Strawbridge & Clothier.

Starting in spring of '83, clothes grew longer, with two trends emerging—long and lean, and long and full. While retailers feel the long silhouette, either slim or full, is very important, Lucille Klein, director of fashion communications at Sanger-Harris, feels full will be predominant. "It's easier to wear than long and lean," she says. "Long and lean is just for a particular designer, better or advanced customer." With the men's wear influence, Klein thinks, silhouettes will be coming back to the body. "By the spring of '85, we will be wearing the clothes—the clothes won't be wearing us."

Market share by units



Source: *Chain Store Age* research

Productivity breakdown

	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	$103	$102	$98
Annual turnover	4.2	4.1	5.2
Gross margin	42%	39%	36%

Source: *Chain Store Age* research

Growth areas

- Androgenous/men's wear
- Japanese influence
- Long silhouette

There will always be preppies, and K mart, for one, expects continuing business from button-down oxford shirts, argyle sweaters and chino skirts and pants. But for the better customer, there has been a move toward more individualistic dressing, away from strict tailoring and "prototype" outfits.

"This customer is willing to spend more on apparel if she thinks she can buy quality at a good price or a great-looking value," says The Broadway's Cass, "if the fashion is there." Cass feels, however, that those most willing to take fashion risks are the upwardly mobile, career-oriented women, aged 25-35.

Those just entering the work force, or in more conservative occupations, may only take a slight fashion risk—perhaps a longer skirt, a nontraditional blazer. "One of the hardest things to do is to get women attorneys in court out of their one-button blazers," Cass adds. Women on tight budgets will also tend to be more conservative in career apparel.

There are a number of factors which will support the individualistic look. One is the stronger economy. "When the economy is good you can sell better merchandise," says Strawbridge & Clothier's Moran. People are also more secure personally and professionally, and thus willing to take fashion risks. And the baby boomers who make up the bulk of updated customers are feeling a need to distinguish themselves from their peers.

Most retailers agree, however, that the telling factor is the economy. "The business is predicated on the economy," says Moran. "A year from now, who knows?" ☐

HOSIERY

Sales: $4.8 billion

***Hosiery sales respond** to women entering business world.*

Sheers run hosiery sales up

After faltering slightly in 1982, hosiery sales strutted ahead 10% to $4.8 billion last year. Fashion excitement and an improved economy were credited with hiking consumer purchases.

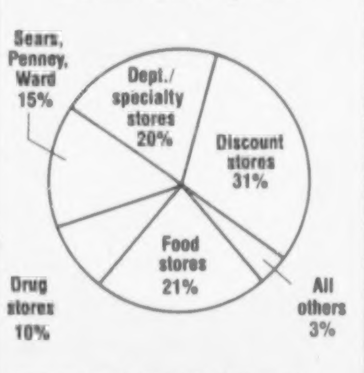
Shipments of women's, men's and children's hosiery also rose says a spokesman for the National Association of Hosiery Manufacturers (NAHM). The industry reached a record high of 308,709 million dozen pairs shipped; up 6.9% over the 1982 figure of 288,709 million.

As in previous years, women's hosiery outperformed men's and children's. Women's wear buyers note higher than usual sales increases, ranging from 15% to 20%. In addition, NAHM reports total women's shipments for 1983 were up 9%, at 203,788 thousand dozen pairs, compared with men's and children's which experienced 6% to 7% growth.

Not surprisingly, pantyhose accounted for more than half of the total sales and shipments. Moreover, it had an 8.8% increase in shipments over 1982's 108,242 thousand dozen pairs.

Retailers anticipate the category will remain in the fast lane for '84. Its strength is tied tightly to the continuous influx of women into the business world and the renewed interest in pantyhose as a fashion accessory. This combination has had a snowballing effect on all phases of the industry.

Market share by units



Source: *Chain Store Age* research

Productivity breakdown

	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	$219	$170	$150
Annual turnover	3.4	4.2	4.3
Gross margin	46.8%	43%	36.6%

Source: *Chain Store Age* research

Growth areas

- **Textured pantyhose**
- **Sheer colors**
- **Active socks**

"First a few stores made a commitment in sheers. Than a few resources made a commitment to color," explains Ron Baltruzak, Foley's accessories dmm.

Soon everyone was in the business with a wide assortment of styles, he continues. But more importantly, Baltruzak notes that the customers who had left the department stores to buy their pantyhose at drug and grocery stores are returning because of the variety of colors, styles and sizes department stores now offer.

At an East Coast department store with a 1983 estimated volume of $400-plus million, the hosiery exec agrees with Baltruzak. He adds, "We've seen the most growth in sheers."

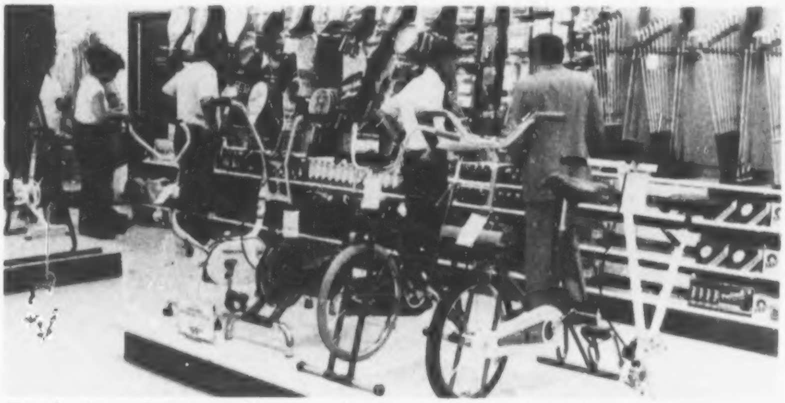
This runs contrary to the NAHM figures which show opaques had an 81.1% increase compared with sheers' '83 gain of 8.2%. But one must consider that sheers comprise nearly 56% of the total pantyhose shipment picture while opaques contribute only 3%.

Nonetheless, color is the No. 1 reason for growth in sheers, concur the retailers. Although the East Coast department store exec acknowledges this fact, he notes that at least 95% of his sheers business still comes from sales of basic colors such as black, white, navy, gray and wine.

And retailers say that the color revolution is spilling over into the man-tailored influenced textures, too. Popular colors for summer include bright and pastel shades. Moreover, merchants plan to focus more attention on this classification this fall, anticipating a step-up in consumer interest as the weather cools off.

Another important classification this year appears to be women's active socks which includes footsocks, anklets and crew. Similar to the pantyhose craze, women are paying more attention to the legwear under pants. It is not unusual for customers to match each pair of socks to a specific outfit, say industry sources. Colors, too, follow pantyhose's lead. ☐

Sales: $13.5 billion



***Emphasis on fitness** creates upswing in exercise equipment.*

Exercise gear sales stay fit

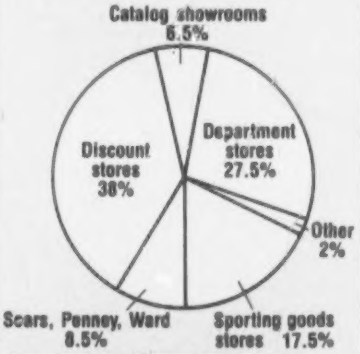
Although the sporting goods market performed well enough in 1983 to satisfy most retailers, the category's growth remains consistent rather than spectacular. Total sales for the year advanced about 4.1% to $13.5 billion, a modest gain but one which is considerably better than 1982's increase of just 1.6%.

Exercise equipment and athletic apparel continued as the only truly explosive segments of the category. Tennis and golf showed modest gains, as did staples like fishing and camping. Among the big losers were racquetball equipment and, unexpectedly, soccer.

Exercise equipment sales jumped to $950 million, making it the sixth largest segment of the sporting goods category. At the heart of this boom lies the consumer's willingness to trade up to more elaborate equipment, from simple barbells and weights to home exercise centers. Despite high price points on this merchandise, many retailers, including Ames, Hecks, K mart and Bi-Mart, reported broadening and deepening their mix. In its larger stores, Sears is now featuring five different versions of its exercise bikes, with price points ranging from $99 to about $220. The chain also has met with considerable success with the DP Gympac 2000, a fitness center which retails for about $290.

The upscaling trend which is rolling through so many segments of retailing meant more dollars, if not more units, for staple categories last year. Tennis racquets unit sales declined but dollar volume advanced a healthy 18%, according to NPD Research. Although sales of high-end racquets remain predominantly in tennis specialty stores, general merchandise retailers report getting a bigger piece of the upper end last year.

Market share by units



Source: *Chain Store Age* research and National Sporting Goods Association.

Productivity breakdown

	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	$73	$95	$112
Annual turnover	2.0	3.1	2.2
Gross margin	35%	32%	26.3%

Source: *Chain Store Age* research

Growth areas

- **Exercise equipment**
- **Apparel**
- **Tennis**
- **Ski**

"We've broken the $100 price point on our racquets," says Mitchell Forrester, director of merchandising for sporting goods at Best Products.

Sales of athletic apparel slowed a bit last year but still grew faster than most other segments of the sporting goods market. Total volume, discounting sales of footwear, grew about 15%, but some segments, like bodywear, increased even more. The success of clothing continues to transform sporting goods primarily from a hard goods area to one in which soft goods account for a sizeable portion of sales.

"There's no question that athletic apparel is now influenced by fashion a great deal," says Marvin Aronowitz, president of Oshman's, a chain of nearly 200 sporting goods stores.

There were few major disappointments in sporting goods last year. Racquetball equipment sales declined again, this time by 7%, but most buyers were prepared for that drop. Sales of soccer balls also dipped, according to NPD Research, leading to speculation that the sport is peaking in the United States. Baseball/softball sales remained soft, totaling some $161 million for the year.

Based upon last year's performance and the interest generated by the Olympics this year, manufacturers and retailers are optimistic about sales for 1984. SGMA predicts sales will rise about 13% at the manufacturers' level. Much of that gain will come from still another increase in sales of exercise equipment. A study by NPD Research, recently found that 37% of all adults surveyed plan to use some form of exercise equipment over the next year. Ski equipment will also show considerable growth, according to NPD Research, especially if the country has another winter of record snowfall. ☐

Sales: $28 billion

***Last year's fastest** growing category was the telephone.*

Electronics hit record mark

By now consumer electronics retailers must feel like doormen standing at a revolving door. There's more and more traffic going through the door, but it's increasingly difficult to track who's coming, who's going and who's simply going around in circles.

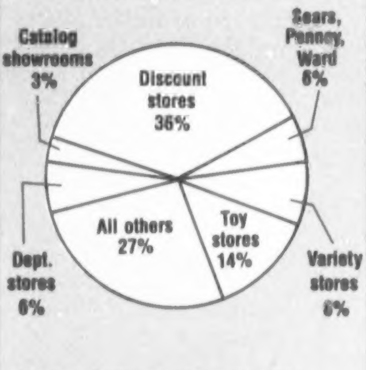
Overall, electronics retailers report sales grew 14.2% to a record $28 billion last year. Industry analysts predict another record in 1984 with sales topping the $30 billion mark. While the department has convincingly pulled itself from the doldrums of the 1981-82 recession, it remains packed with both risk and opportunity.

Once again the sweetheart of consumer electronics and 1983's fastest growing category was the telephone. Over 19 million phones were sold last year, and nearly 30 million are projected to sell in 1984. The boom in telephones has also pushed the growth of answering machines, with last year's volume jumping 150% to nearly two million units.

The consumer's love affair with the video cassette recorder also continued unabated. With price drops for low-end models now dipping under $300, unit volume has doubled. Over four million VCRs sold last year, and predictions for 1984 show sales should easily top five million.

Following right in step, dollar volume of blank video tapes increased 73.2% last year despite sharp price reductions, and will keep pace with brisk VCR sales this year.

Market share by units



Source: *Chain Store Age* research

Productivity breakdown

	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	$308.50	$284.40	$255.48
Annual turnover	2.9	3.0	2.8
Gross margin	24%	24%	18%

Source: *Chain Store Age* research

Growth areas

- Compact disc players
- Telephones
- Telephone answering machines

"Video tape sales are still very profitable," says Atlanta-based Richway electronics buyer Marc Valen. "The cost of the tapes has come down, but we're holding the margins, at least percentage-wise."

The flirtation with video did not extend to video disc players. Though retailers moved over a quarter million players and nearly five million discs last year, it was not enough for the major player manufacturer. RCA pulled the plug on production this spring, leaving the industry in disarray.

"Video disc players were never hot sellers for us," says Jim Brinkman, video buyer for Minneapolis-based Dayton Hudson Department Stores. "We've concentrated on VCRs."

Video game machines, the darling of consumer electronics only a year before, saw volume drop 20% in 1983 and an additional 40% decrease is predicted this year. While sales of video game cartridges jumped to a record 75 million units in 1983, this year marks the first time unit sales will drop, falling 1%.

The popular new kid on the block for 1984 just may be the compact audio disc player. Introduced last year at prices over $600, CD players posted first year sales of 35,000 units, with 200,000 unit sales projected for 1984. Price reductions have already dropped some models to under $400, and industry sources predict an additional price decrease in time for the Christmas selling season.

"Once the price drops to under $300, then you'll see sales really take off," says a buyer for a West Coast electronics specialty chain with sales in excess of $170 million.

Meanwhile, the old standbys of consumer electronics continued to perform reliably. Dollar volume for color televisions increased 17.6% last year. Audio compact and component systems, long the mainstay of the department, jumped back from a two year decline with a 16.3% unit sales gain. Portable audio tape players, now firmly entrenched as a department staple, saw unit sales increase 17.4%. ☐

TOYS

Sales: $10.4 billion

***Boy's action toys** were a huge hit in total sales for '83.*

Traditional toys stage comeback

If '83 was the year of the rejuvenation of traditional toys, then '84 may be the year of movie licensed tie-ins. At least two dozen movies coming out in the second half of '84 are expected to produce licensed product bonanzas. Many retailers believe these and other licensed merchandise will help the industry achieve another banner year in '84 with 8% to 10% sales growth.

Toy sales surged 15.6% in '83 over the prior year to $10.4 billion. Traditional toys rebounded strongly while electronic game systems and software slipped 8% in dollar sales (although manufacturer shipments increased 7%).

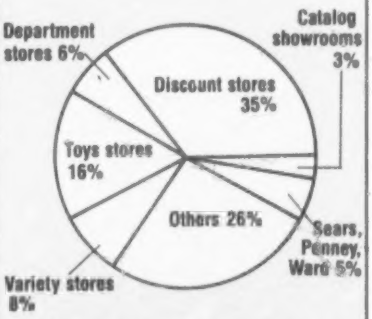
Hand-held electronic games seem to be a big victim of video overkill. Shipments on these items slipped from 12 million units in '82 to just seven million in '83. "Hand-helds are a dead issue," says George Colgan, toy buyer for K mart. "The lure of electronic games has seen its day and other things are taking their place."

Those other things include action figures, board games, dolls and plush toys. While the standouts of last season hardly need mentioning (the Cabbage Patch and Care Bear phenomena are still going strong), other categories also turned in spectacular performances.

Boy's action toys—especially Masters of the Universe—were a huge hit. Shipments increased from 50 million units in '82 to 97 million in '83.

This year buyers see robots leading the pack for boys. Hasbro's Transformers, Tonka's GoBots, CBS/Ideal's Robo Force and Tomy's Starriors are among new introductions expected to gobble up dollars that once went to feed video and arcade games.

Market share by units



Source: *Chain Store Age* research/Toy Market Index of NPD Group

Productivity breakdown

	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	$77	$88	$103
Annual turnover	2.5	2.8	3.2
Gross margin	37%	33%	28%

Source: *Chain Store Age* research

Growth areas

- Robots
- Movie Licensed tie-ins
- Board games

Not surprisingly, buyers also tout Trivial Pursuit and similar adult-oriented board games. Retailers are especially pleased as these games attract an older customer.

Other board games also performed well in '83. A Wieboldt's spokesman says, "Board games really started to sell in '83 and should continue throughout '84."

But the good news for retailers did not mean great increases for manufacturers. Shipments remained level with '82 as most buyers made cautious purchases, often waiting until late in the season to place large orders. In some cases, this caution just fueled toy shortages reported during the holiday selling season.

Once again, licensing made a big impact on toy sales. "The influence of licensing grew even stronger in '83," says Arnold Greenberg, chairman of the Toy Manufacturers of America and president of Coleco, "and should continue to have great impact in the coming years. We have moved into yet another phase of this merchandising phenomenon as toy companies create their own character licenses and successfully market them to other industries and to the media."

The movie industry, expecting consumers to flock to theaters this summer, is expected to generate big sales for licensed toys.

Among the summer releases are "Star Trek III," "Indiana Jones and the Temple of Doom," "Gremlins" and "The Muppets Take Manhattan." In addition, "Return of the Jedi" will be re-released to coincide with the introduction of Ewok (the teddy bear-type characters in the movie) merchandise.

Although retailers cite the need to get in and out of movie licenses quickly, most say this season's spate of movies with tie-ins should boost summer and fall sales. ☐

PHOTO/CAMERA

Sales: $10.4 billion

Autofocus sales doubled *during the Christmas season in '84*

Autofocus cameras spark photo

The photo/camera market began to show some new life in 1983, but did not rebound as strongly from the recession as other major hard lines categories.

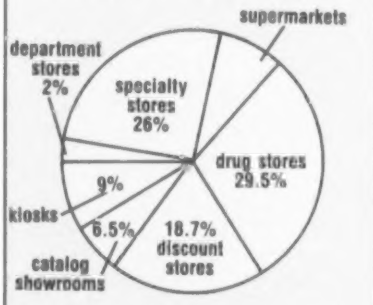
Camera sales increased to their highest point since 1978, but sales were still below record levels posted in the early 1970's. Consumers purchased about 15.4 million cameras last year, compared with 14.25 million in 1982. Film sales, meanwhile, advanced about 5% to 624 million rolls, largely because of the disc camera and increases in sales of 35mm film. Those increases also helped propel photofinishing volume, which improved 10% to $3.6 billion.

The 35mm autofocus cameras provided the real spark to sales in 1983. The simplicity of these cameras, their low price points and the quality of the photos they take combined to make them much more attractive than high-end pocket cameras. During the Christmas season alone, 35mm autofocus camera sales doubled. For the entire year unit sales rose to 1.3 million. Just four years ago retailers sold only 400,000 autofocus models.

Enthusiasm for autofocus models did not carry over into the upper end of the 35mm market, although some observers think it soon will. Sales of SLR models remained soft as consumers continued to postpone purchases of upper-end models, those retailing for more than $160. The SLR cameras may make a comeback if consumers continue to develop a taste for 35mm photography.

"Many customers who are buying autofocus cameras now may eventually trade up to SLRs," says Dom Dicara, photo buyer for Federated Merchandising, a buying group which represents about 50 catalog showrooms.

Market share by units



Source: *Chain Store Age* research and Photo Marketing Association.

Productivity breakdown

	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	$241	$305	$500
Annual turnover	2.4	3.8	3.54
Gross margin	20.9%	22%	15.1%

Source: *Chain Store Age* research

Growth areas

- **35mm autofocus cameras**
- **photofinishing**
- **35mm film**

The enthusiasm with which the disc camera was greeted two years ago began to wane in 1983. To shore up the disc's position, Kodak has moved to sharpen the quality of its film and has introduced three new models; but some observers think the disc has already peaked.

"Clearly the disc is not going to be what Kodak had hoped it would," says Eugene Glazer, photo industry analyst for Dean Witter. Glazer believes the disc will carve out a respectable but unspectacular niche in the camera market.

The disc's problems resulted in a modest resurgence in sales of other types of pocket cameras, which were thought to be on the verge of extinction only a year ago. With prices on many pocket cameras dropping to about $20, consumers returned to these models because the disc did not prove an exceptionally better alternative.

The growth in low-end 35mm cameras fueled the photofinishing market, which expanded by about 10% last year after a 12% gain in 1982. Discounters hold about 12% of that market, and their share is projected to grow to 13% in 1985 despite competition from minilabs, drug stores and supermarkets.

"Many consumers like to process their film at the same place they bought their cameras. That should help discount stores because they're doing so well selling the low-end 35mm cameras," says Eleanor Ehlrich, director of marketing for Berkey Photo.

Film sales continued to shift toward the 35mm segment, a trend helped by the successful introduction of 1000 ASA film. In 1975 35mm accounted for just 18% of film sales; last year its share rose to 46%. With many manufacturers adding 1000 ASA settings to their autofocus models, buyers are even more optimistic about the future of 35mm film. ☐

MEN'S WEAR

Sales: $21.8 billion

***Sports shirts were** a strong department contributor last year.*

Basics steady, sports active

The American male apparently still doesn't quite share his female counterpart's sense of the new and different. While he's willing to experiment in leisure wear, traditional tailored clothing remains primarily a replacement business. Men's wear sales grew by a steady 6.5% to $21.8 billion in 1983.

"Women are looking for something that's new; men are looking for a body covering," says Fresno, Calif.-based Gottschalk dmm Ron Gernandt. "The whole men's clothing department is weak."

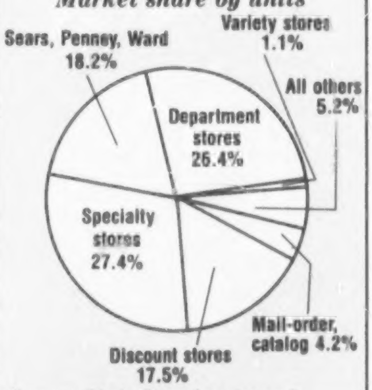
But there were some strong performers. Once again activewear continued the year-round top category in 1983, and this year's sales indicate it will again lead the department. Warm-up suits and basic fleece were strong fall season sellers, with jogging shorts and tank tops, especially mesh tops, leading for spring and summer.

Sports shirts were also strong department contributors. If there was a place where men experimented with a new or different look, it was here. Novelty shirts, asymmetrical patterns and boat collars turned in surprisingly good results.

Even the *Flashdance* look that virtually overtook the young men's department has now moved into the men's department, though in somewhat more subdued styles.

"Dad is shaking out of his doldrums," says a California department store dmm. "Young men's is very, very, very alive right now, and it's changing what's happening in men's sportswear too."

Market share by units



Source: *Chain Store Age* research

Productivity breakdown

	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	$184.70	$138.79	$120.00
Annual turnover	2.7	3.1	3.6
Gross margin	43.2%	40%	34.6%

Source: *Chain Store Age* research

Growth areas

- **Activewear**
- **Dress furnishings**
- **Knitwear**

In tailored clothing, retailers report sales continuing steadily, but with no major growth last year, and none predicted this year. "Anytime you do not have a major new silhouette, it becomes strictly a replacement business," says Gottschalk's Gernandt. "The people who bought a couple of suits last year are not going to buy much this year. However, this makes the furnishing business strong."

Philadelphia-based Strawbridge & Clothier dmm Nick Eggleston confirms that men are turning to furnishings rather than that new suit or sports jacket. Both neckwear and dress shirts, especially shirts with distinctive collar treatments, were strong performers last year.

"Dress collars were *the* story last year and it's continuing for 1984," agrees Gernandt. In just about every market retailers report contrasting white collars and pin collars are hot sellers.

Like much of the department, there were no new trends or changes in men's slacks and therefore not much new action. Belted slacks remain more popular than nonbelted, and for many retailers Hagar expandable waist bottoms remain strong sellers.

The action in outerwear has moved from bulkier, heavier ski-type looks to more poplins and light materials, but once again, while sales remain steady, it continues to be largely a replacement business.

Despite the lack of any new, dominant trend on the horizon for 1984, retailers expect the department to turn in another solid year. "So far the year has been good," says Strawbridge & Clothier's Eggleston. "Unless there's some unforeseen economic disaster, it ought to carry right through the fall season."

"We're all still selling tonnage of the basics," says the California dmm. "But there's a tremendous potential for growth and more room for experimentation in the novelty categories." ☐

HOBBY/CRAFTS

Sales: $3.7 billion

YARN
ACCESSORIES
JEWELRY

***Crafts sell best** July-January, as consumers plan for Christmas.*

Yarns untangle craft sales

Despite the departure of some mass merchants from retailing hobbies and crafts, 1983 sales rebounded to a record high of $3.7 billion after faltering in 1982. A renewed interest in crafts and an increase in the number of specialty sewing stores carrying craft items account for the 16.1% gain.

"Retailers who are aggressive get the business," says an exec with a West Coast specialty chain. "You need to make a statement in each category."

Two retailers in particular who appear to be pursuing the business are K mart and Bradlees. For example in one of K mart's Detroit prototypes, it has made a commitment to the category by devoting approximately 625 sq. ft. Narrow gondolas house craft supplies while the rounded endcaps offer how-to books detailing usage of the shelved items.

In Bradlees' Watertown unit, the upscaler displays crafts in a separate shop. President Harry Kohn says, "Normally we would not have a shop arrangement." However, he explains that when Bradlees sectioned off a special area for the Gloria Vanderbilt home furnishings collection, some extra space resulted. Although this is not necessarily a part of the latest prototype, if craft sales react to the shop concept, Bradlees might be wise to incorporate it more frequently.

Additionally, successful merchants say that crafts generally sell best July through January (as consumers start planning for the Christmas season), granted that the presentation and commitment is there. Moreover, the West Coast specialty merchant points out, "Customers don't purchase price, they purchase design."

This year, categories to watch for growth include needlecraft, candlewicking and adventure gaming, says Jim Goodness of the Hobby Industry of America association. Specifically he notes, "Yarns and sewing departments at the major chains continue to grow."

For instance, Lamstons' crafts buyer Marlene Roscoe says that specialty yarns such as the 100% cottons and terries do a brisk business. She adds, "Baby yarns are a good everyday business. We're in a baby boom right now and the grandmothers are buying."

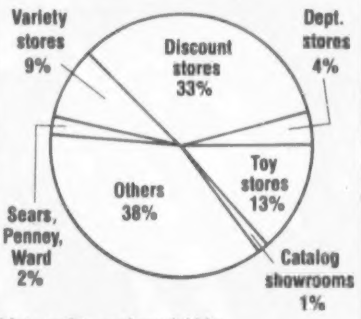
Apparently, The Singer Co. sees this phenomenon too. It recently introduced hand-held knitting machines that knit 100 times faster than a person. Perhaps this will compensate the home sewing industry giant for lost sewing sales.

Nonetheless, the hobbies and crafts industry is not for all retailers. Bill's Dollar Stores buyer Marvin Alverson says, "We ran a test in 20 stores and it was a disaster so we're out of that business now."

At another East Coast retailer, with 50-plus stores, an exec concludes, "We're leaving the crafts business for the same reasons we left sewing. A lot of women have gone back to work and don't have the time. The market has shrunk by one-third.

"It's also very expensive to run these departments," he continues. "They need to be staffed with knowledgeable salesmen. We're giving the space to more profitable categories." ☐

Market share by units*



*Art, crafts, and model kits
Source: *Chain Store Age* research/ NPD Research Inc.

Productivity breakdown

	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	$46	$55	$60
Annual turnover	2.7	1.5	2.5
Gross margin	41.7%	39%	33.1%

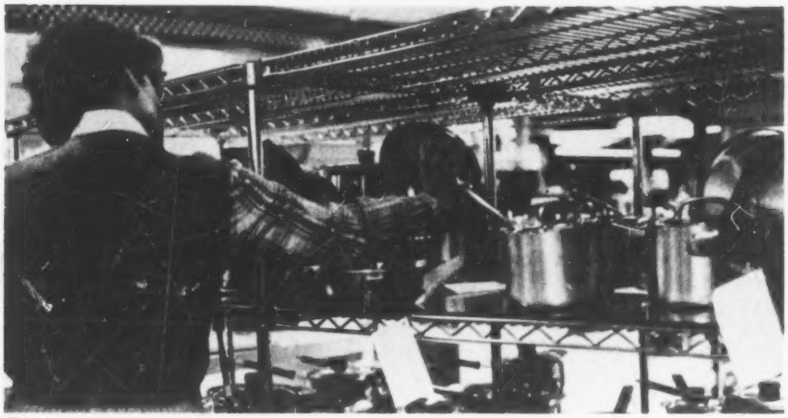
Source: *Chain Store Age* research

Growth areas

- Specialty yarns
- Candlewicking
- Adventure gaming
- Needle crafts

NONELECTRIC HOUSEWARES

Sales: $29.1 billion



***Discounters use department** store quality displays.*

Cookware ignites sales fire

The old adage—if you can't stand the heat, get out of the kitchen—must have been taken seriously by consumers during '83. By leaving their kitchens and hitting retail stores, consumers boosted nonelectric housewares retail sales by 11.1% over '82 results to $29.1 billion with cookware and bakeware accounting for about 12% of total sales.

The economic recovery was obviously one important factor influencing housewares growth as was the fresh crop of off-price housewares specialty stores that popped up during the year, squeezing out additional sales to consumers shopping for quality and value.

But manufacturers also helped by holding the line on prices in '83. Just 34% reported increasing prices during the year (the average increase was 5.2%), according to the National Housewares Manufacturers Association.

This year, however, 61% feel they will need to raise prices in anticipation of higher labor costs, citing an average increase of 5.8%. Retailers admit they will have to be sharper buyers and merchandisers to keep the price increases from turning into sales decreases.

One answer seems to be upscaling both the mix and the presentation, with an emphasis on coordinated merchandise, while at the same time sticking with traditional best sellers. During '83, growth came from microwave cookware, glasses and dinnerware as well as gadgets.

Discounters cite boxed sets of dinnerware and glasses as strong sellers. "Our glass assortment was too broad last year," says G. C. Murphy buyer George Gose. "We will go only with the best sets in '84 as they also offer the consumer the best value, but we'll be totally in stock—365 days a year."

Murphy's will also offer shoppers color coordinated goods to tie together an entire housewares (and kitchen domestics) fashion statement.

In fact, discounters from K mart to Rose's are putting together department store quality displays on gondolas showing complete tabletop settings. The bulk merchandise is stacked underneath the display for shopper convenience.

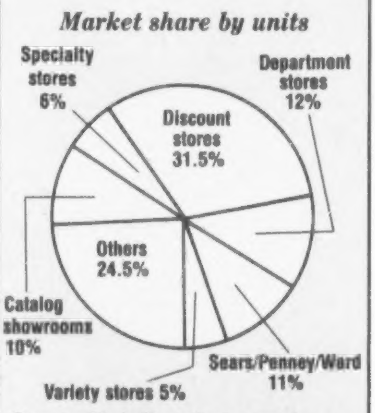
Microwave cookware was a key performer for many retailers last year and is still going strong. "We had a bigger percentage increase in microwave cookware than in any other nonelectric category," says the dmm for a 35-store southeastern discounter.

Gross merchandising is one key for increasing sales. Ames, the Rocky Hill, Conn.-based discounter, for example, is merchandising microwave accessories with regular cookware and with the ovens in its newer prototypes.

When looking for one key word to sum up the category, however, retailers repeatedly mention SilverStone. Department and discount store buyers say SilverStone cookware sold well in all sizes and price points with open stock pieces and boxed sets moving equally well.

"We're sticking with SilverStone," says Leslie Camm, buyer for San Diego-based Walker Scott. "It sells day-in and day-out. But we're moving into higher price points as our customers start to increasingly demand quality—even if it costs a little more—as well as a fair price."

One relative newcomer—thermal carafes—were "late bloomers that did very well," says a Montgomery Ward spokesman who adds the items should continue to perform well in '84, especially for holiday gifts. ☐



Market share by units

Source: *Chain Store Age* research

Productivity breakdown

	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	$125	$110	$100
Annual turnover	2.0	2.2	2.8
Gross margin	42%	34%	32%

Source: *Chain Store Age* research

Growth areas

- Tabletop
- Thermal servers
- Gadgets
- Microwave cookware

ELECTRIC HOUSEWARES

Sales: $15.7 billion

***Electronic irons will** spark new interest in the category.*

Category stagnant despite sales

Despite grumblings from retailers about the lack of innovation in small electric housewares, sales for the category climbed 12.1% in '83 to $15.7 billion.

In general, the housewares industry outperformed the general economy. Between '82 and '83, for example, the G.N.P. rose 8% and the Personal Income Index increased 9% while housewares industrywide sales climbed 11.4%, marking a return to the double digit increases experienced in the late 70's.

Small electrics sparked 35% of the total housewares sales—the same percentage as in '82. Retailers note there were no "must have" new items to draw consumer interest and poor delivery on some under-the-counter items may have retarded additional sales growth.

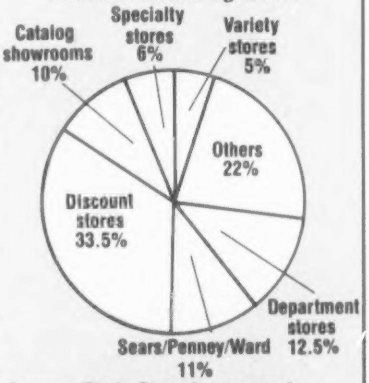
While 56% of consumers claimed that they plan to replace small electric appliances at least every five years, according to a recent survey by the National Housewares Manufacturers Association, this replacement cycle isn't enough to keep the category fresh and growing.

New products are needed, but for '84 several top performers from last year are expected to lead sales once again.

In '83, retailers note a great deal of success with toaster and microwave ovens, ceiling fans and, when in-stock, under-the-counter appliances.

New under-counter introductions from Sunbeam, Norelco, Toastermaster and Robeson are expected to do well this year, especially at the discounters. G.E., the first to introduce the category with its Space Saver line, was often unable to keep up with demand last year, but production has been beefed up to overcome the problem.

Market share by units



Source: *Chain Store Age* research

Productivity breakdown			
	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	$128	$119	$115
Annual turnover	2.5	2.8	3.4
Gross margin	22.5%	20.5%	18%

Source: *Chain Store Age* research

Growth areas

- Irons
- Personal care appliances
- Clocks
- Microwave and toaster ovens

"While under-counter appliances didn't knock down any doors for us last year," says G. C. Murphy buyer Bill Riddle, "the growth for this year could come from this area if availability improves."

The new electronic irons from G.E. and Sunbeam and the cordless model from West Bend should spark some interest in this relatively stable category. "We look forward to plus business there," says Leslie Camm, buyer for San Diego-based Walker Scott stores. "And there's no reason to lower the prices yet as they are selling well at full price ($60)."

For Camm and other retailers hand-held vacuums sucked up extra sales in '83 and look good again for this year. "The Hoover Help Mate at $35 was the best single item we had last year," Camm adds.

Microwave ovens continued to sell well, due in part to growing consumer acceptance. In '79, for example, just 13% of consumers polled said they owned a microwave oven, while in the recent NHMA survey, 38% reported owning one.

The dmm for a discounter with sales volume of $400 million notes the chain picked up exceptional new business in the category. "This year we should do twice as much business in microwave ovens, taking sales well into the six figure range. We'll be selling ovens priced from $180 to $299.

"In total, our small electrics business improved 60% last year due to aggressive promotions and improved advertising that featured more color photography."

Ceiling fans should stir up another good year for retailers who say the business is strong year round. "They've really taken off already this year," says Henry Beck, dmm for D. H. Holmes in New Orleans.

Two categories to watch for in '84 are clocks—especially the quartz models, as retailers say this is an under-developed area—and personal care appliances, especially the new, smaller-sized travel models. ☐

LAWN & GARDEN

Sales: $28.6 billion

Another good year *for patio furniture and picnic tables.*

Barbecues cook up hot sales

Leisure living significantly contributed to still another strong year for the lawn and garden classification. Sales were up an estimated 21.3% to $28.6 billion in 1983. Barbecue grills, patio furniture and ultraviolet bug killers, all sales leaders in 1982, were all active performers once again in 1983.

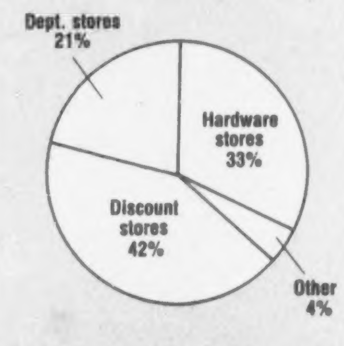
Barbecue shipments by manufacturers to dealers in 1983 reached a record 13 million units, according to the Barbecue Industry Association. Though charcoal grills still topped the list with 10.6 million units shipped last year, gas grills posted a 14.7% gain to 2.3 million units. Electric grill shipments remained steady at 91,237 units.

Not surprisingly, the outdoor barbecue business is family centered. Owners of grills are predominately younger and have higher incomes than the general population, according to the National Housewares Manufacturers Association. Charcoal grills are more common among lower income families and singles, with gas grills capturing a larger share of families and the more affluent.

While men remain the primary outdoor chefs, women are increasingly participating in the buying decision. "Women are about 50/50 on the decision-making right now," says North Muskegon, Mich.-based Quality Stores buyer Bruce Darrow. Many retailers report brown gas grills taking a significant bite out of the market as more and more color-conscious women turn away from traditional black units.

Adding to the sales surge for lawn and garden was still another good year for patio furniture and picnic tables. "Sales in the patio category were absolutely unbelievable," says a merchandise manager for a mid-Atlantic discounter with sales in excess of $200 million. "We're at the price points now where a merchandise manager can really do well at the $300-$400 range. If you have the room to display it, go for it."

Market share by units



Source: *Chain Store Age* research

Productivity breakdown

	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	$125	$140	$130
Annual turnover	2.3	6.4	3.6
Gross margin	28.5%	29.2%	23.2%

Source: *Chain Store Age* research

Growth areas

- **Patio furniture**
- **Gas barbecue grills**
- **Electronic bug killers**

Another familiar strong performer was the electronic bug killer. "People just like to kill bugs," says Quality's Darrow. "The things really sell themselves. The price has come down significantly, and when people hear bugs getting zapped in their neighbor's backyard, they decided to go out and buy one for themselves.

"We've been doing quite well with them for the last couple of years. For the last three or four years, they've been tremendous profit and gross margin performers," Darrow adds.

More traditional lawn and garden categories saw sales level off or vary widely, due to differing climatic conditions. Chemicals and fertilizers, popular with retailers as some of the few consumables within the department, showed steady sales.

Lawn mowers were a different story. Some regions saw surprising sales increases despite higher prices due to Federal safety standards imposed two years ago. Other regions reported sales stagnant.

The determining factor, according to most retailers, was the weather. While a wet spring may make the grass grow higher, few consumers seem willing to spend a soggy Saturday mowing a wet lawn.

The real story in lawn and garden may not be what is sold, but where. According to National Housewares Manufacturers Association research, discount stores were the preferred choice for 42% of lawn and garden consumers in 1983, a drop from 48% in 1974. Department stores were the big winners, upping their share from 16% 10 years ago to 21% last year. Over the same 10 year period, hardware stores gained from 31% to 33%.

First quarter earnings pace continues growth

Chain	'83 (000 omitted)	'84 (000 omitted)	% change
Penney	$ 58,000	$ 69,000	+ 19.0
Sears[1,2]	(12,700)	25,900	—
Ward	(19,000)	(4,000)	—
Subtotal	26,300	90,900	+245.6
K mart	44,600	58,000	+ 30.0
G. C. Murphy	1,701	2,233	+ 31.3
Rose's	3,011	3,693	+ 22.7
SCOA (Hills)	(397)	1,126	—
Wal-Mart	27,503	43,643	+ 58.7
Woolworth[1]	1,000	4,000	+300.0
Zayre	6,668	10,601	+ 59.0
Subtotal	84,086	123,296	+ 46.6
Allied	13,089	14,732	+ 12.6
Associated Dry Goods	3,409	5,074	+ 48.8
Carter Hawley Hale	6,205	8,539	+ 37.6
Dayton Hudson	22,681	28,400	+ 25.2
Federated	42,986	35,810	− 16.7
May Co.	20,300	27,500	+ 35.5
Mercantile	11,982	14,309	+ 19.4
Subtotal	120,652	134,364	+ 11.4
Cole National	(610)	269	—
Gshman's	(65)	59	—
Toys "R" Us	5,357	9,637	+ 80.0
Subtotal	4,682	9,965	+112.8
The Gap	1,695	677	− 60.1
The Limited	9,905	13,605	+ 37.4
Miller Wohl	3,685	3,569	− 3.1
Subtotal	15,285	17,851	+ 16.8
Total	251,005	376,376	+ 49.9

[1] *Consolidated operations only*

[2] *U.S. Merchandising only*

[3] *Continuing operations only*

( )indicates loss

Source: *Chain Store Age* research

Earnings are up but caution rules future

A mixture of cheers and jeers greeted first-quarter earnings posted by 23 retail chains. Though earnings were up 49.9%, comparisons of percentage gains with results garnered in '83 are difficult since last year was such a superb one for most retailers. Despite sluggish sales and inclement weather in March and April, the quarter did produce a number of outstanding performances.

While Cole National reported significantly lowered losses from its Child World division, it did return a profit in the first quarter (the first time since acquiring the toy chain), as other business segments offset the losses.

Both Carter Hawley Hale and The Limited had healthy increases despite clashing over The Limited's tender offer.

Woolworth reported strong sales from Woolworth, Kinney and Richman Brothers. Part of the gain was contributed by 102 renovated Woolworth units which accounted for about 15% of the division's sales.

Wal-Mart, continuing its efforts to lower everyday prices, scored the chain's seventh consecutive quarterly earnings increase of 40% or more.

At K mart, apparel sales were nearly double the corporate average, aided by new displays and a layout which focuses more attention on apparel.

Federated, however, reported a decline from last year's level due to competitive pricing in its supermarket division, start-up costs associated with the Main Street project and a change in its retirement program.

K mart matches donations

K mart has decided to give its employees a greater say in the way it donates money to nonprofit organizations. The company has begun matching donations its employees make to educational and cultural institutions.

The K mart program is based on a model provided by CASE (Council for the Advancement and Support of Education). K mart's board of directors decided to extend its program to cultural institutions in addition to colleges and universities.

Under the program, K mart is matching the gifts its full-time employees make of between $25 and $1,000 to accredited two- and four-year colleges, museums, public radio and television stations, orchestras, opera, theater and dance groups, libraries, zoos and historical organizations.

"It's already been well-received. We think it's going to be a strong program," says Al Weed, director of management recruitment and training.

New chain guide directory available

The leading publisher of retail market information—*Chain Store Guide*—has just released the brand-new edition of the *1984 Directory of General Merchandise, Variety Chains & Specialty Stores*.

This year, several important additions have been made to the directory, including listings on airport gift chains and odd-lot/closeout stores. Major revisions and expansions to the directory bring total *GM* listings to 750 companies operating 19,176 stores. In addition, the specialty stores sections have been newly revised to include 301 toy/hobby & craft retailers operating 1,854 stores; 769 gift/novelty retailers operating 2,186 stores, and 434 toy and hobby wholesalers, for a combined figure of 360 brand-new listings.

The *1984 Directory of General Merchandise, Variety Chains & Specialty Stores* is available at $145 from Lee Appel, *Chain Store Guide*, 425 Park Ave., New York, N.Y. 10022, telephone 212-371-9400.

FINANCIAL NEWS

Floods, rain fail to dampen sales surge

		May sales*		Stores		4-mo. sales		
Major chains	% change	1984	1983	1984	1983	1984	1983	% change
Sears[1,6]	+ 6.1	1,999,006	1,884,777	885	895	7,741,515	7,260,012	+ 6.6
Penney	+ 19.8	891,000	744,000	2,015	2,039	3,371,000	2,862,000	+ 17.8
Ward[1]	+ 9.5	493,730	450,939	367	377	1,855,263	1,648,179	+ 12.6
Federated[5]	+ 12.2	566,300	504,803	N/A	N/A	2,239,000	2,001,300	+ 11.9
Dayton Hudson	+ 15.6	560,190	484,578	1,101	1,031	2,133,842	1,816,682	+ 17.5
May Dept. Stores		345,900	305,700	1,635	1,497	1,309,300	1,148,300	+ 14.0
R. H. Macy	+	304,500	266,700	93	92	1,213,400	1,047,200	+ 15.9
Allied Stores	+ 10.1	306,300	278,300	581	547	1,147,900	1,039,800	+ 10.4
Carter Hawley Hale	+ 16.9	256,800	219,700	252	232	1,032,600	857,500	+ 20.4
Associated Dry Goods	+ 27.6	315,400	247,200	325	249	1,128,000	907,000	+ 24.4
Mercantile	+ 6.9	134,802	126,131	78	85	481,627	443,732	+ 8.5
K mart	+ 9.7	1,609,242	1,466,398	2,157	2,130	5,786,814	5,401,017	+ 7.1
Woolworth	+ 4.5	425,122	407,401	N/A	N/A	1,634,865	1,536,460	+ 6.4
Wal-Mart	+ 38.7	502,000	362,000	674	581	1,737,000	1,217,000	+ 42.7
Household Merch.[2,3]	+ 4.7	415,166	396,359	3,753	3,899	1,694,758	1,658,529	+ 2.2
T.G. & Y.	− 2.2	160,806	164,482	776	869	625,049	610,928	+ 2.3
Zayre[4]	+ 27.9	239,731	187,469	785	677	862,368	706,288	+ 22.1
Bradlees	+ 25.1	100,800	80,600	128	112	362,400	274,200	+ 32.2
Murphy	+ 5.5	68,711	65,113	399	417	266,758	253,708	+ 5.1
Rose's	+ 12.4	90,929	80,933	191	244	278,978	237,889	+ 17.3
Heck's	+ 4.7	33,600	32,100	122	120	131,900	125,100	+ 5.4
Jamesway	+ 17.2	35,671	30,433	78	75	121,732	106,158	+ 14.7
Melville	+ 13.8	318,307	279,634	5,757	5,604	1,275,404	1,085,783	+ 17.4
Tandy	+ 5.6	200,797	189,685	N/A	N/A	832,207	775,533	+ 7.3
Edison Bros.	+ 3.0	103,700	100,700	N/A	N/A	344,277	316,581	+ 8.8
The Gap	+ 14.1	31,600	27,700	576	555	129,600	115,400	+ 12.3
Totals & Averages	**+ 12.2**	**10,349,304**	**9,219,350**	—	—	**39,112,478**	**34,841,351**	**+ 12.3**

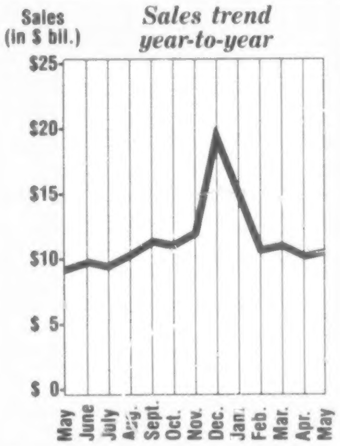
*000 omitted. N/A — not available.

[1] Store number for full-line outlets only. [2] Includes 2,769 franchise stores (vs. 2,819 a year ago). [3] Includes T.G. & Y. sales. [4] Includes 276 Zayre stores (vs. 265 a year ago), 377 Hit or Miss stores (vs. 306) and 135 T. J. Maxx stores (vs. 106). [5] Excludes supermarket sales. [6] Includes results from Sears Canada.

Dept. store sales lead the pack

Cold, wet and miserable weather over much of the nation in May failed to halt the continuing double-digit sales pace set by the 25 chains tracked by *Chain Store Age*. Sales for the month increased 12.2%, while year-to-date totals now average a nearly identical 12.3%.

Retailing giant Sears set a record for the first 17 weeks of the fiscal year, showing volume of $7.74 billion, a 6.6% hike over the previous year. Domestic operations gains 7.2%, but were offset by the 2.6% increase posted by Sears Canada.



Sales trend year-to-year

Composite of sales trends showing month-to-month sales volume for the 25 retail companies tracked by *CSA*.

J. C. Penney continued to lead the Big 3 catalog chains with a 19.8% May sales jump and a 19.6% comparable store gain. Montgomery Ward reported monthly sales up 9.5%, and same store results 11.4% over last year.

Once again the department stores performed well above the average, led by Associated Dry Goods' 27.6% monthly increase. Beleaguered Carter Hawley Hale, stripped of Waldenbooks results, posted May sales up 16.9%. R. H. Macy reported May store-for-store gains of 11.2%, followed by Mercantile at 9.6%, Dayton Hudson's 9% and May Company's 7%.

K mart, led by strong apparel sales and brisk activity in outdoor merchandise, showed a 9.7% increase over the previous May. Comparable store results for the month rose 8.1% over last year, while year-to-date same-store volume now stands 5.5% over 1983.

Among the discounters, Bentonville, Ark.-based Wal-Mart continues its sales surge. Results for May were up 38.7%, and sales for the 17-week fiscal year show a 42.7% gain. Comparable store sales for the 19 state discounter are up 18% over last year.

Flat computer sales may be one reason for Tandy's lackluster performance among the specialty chains, though the Radio Shack operator denies it. Tandy chairman John V. Roach admits the computer market in general may be flat, but asserts the Color Computer 2 is selling at three times last year's rate.

Household Merch. narrows losses

The turnaround process at Household Merchandising's T.G. & Y. and wholesale divisions appears to be taking shape.

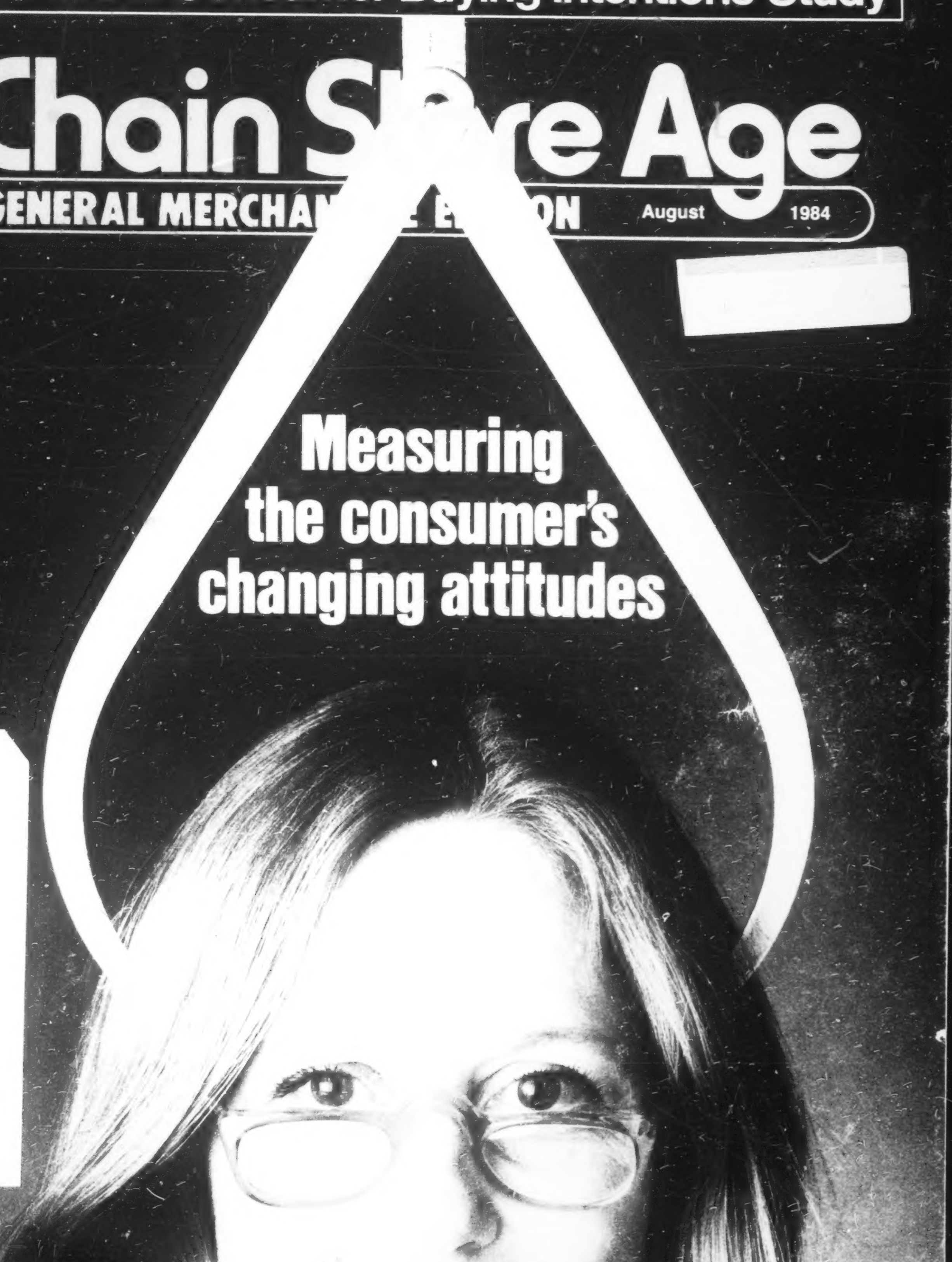
For the first quarter of the year Household Merchandising's general merchandise and wholesaling operations reported bottom line improvements. T.G. & Y. and the furniture group reduced losses to $2.3 million from $4.1 million a year ago on a sales gain of 2.8%.

The Ben Franklin and Coast to Coast franchises increased earnings to $700,000 from $200,000 on a 9% sales gain.

Overall, however, Household's net income from retailing dropped from $1.5 million to $1.2 million because of a $2.6 million reduction in earnings from Von's supermarkets.

4th Annual Consumer Buying Intentions Study

Chain Store Age
GENERAL MERCHANDISE EDITION August 1984



Measuring the consumer's changing attitudes

TWO DOLLARS

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Upbeat consumers eagerly pursue purchases

Pent up consumer demand has stimulated sales and left the consumer more anxious to follow through on purchase intentions than at any other time in the last four years.

What a difference a year makes!

A scant 12 months ago Americans were concerned about their jobs, their future and their country.

Today, with unemployment at its lowest level in four years, the number of working Americans rising by the hundreds of thousands each month, and Ronald Reagan's rating as president higher than it has been for the last 32 months, consumers are once again flexing their muscles.

The portrait that emerges from *Chain Store Age*'s Fourth Annual Consumer Buying Intentions Study is one colored by optimism.

Consumers are more eager to follow through on their purchase intentions, less willing to defer plans even if they might have to cut back on spending. The buying public has not abandoned its keen eye toward price—indeed, price may be more important than a year ago—but shoppers also are remaining equally discerning about quality and that elusive trait, value.

They are assessing the repositioning and remerchandising efforts of the leading general merchandise retailers while expressing reservations about some of the hot concepts of the last few years, specifically off-price merchants.

These general trends and specific attitudes toward some 50 products are revealed in two studies commissioned by *Chain Store Age*. Working with Leo J. Shapiro & Associates, *CSA* polled more than 8,500 households on their specific buying intentions and attitudes. In addition, *CSA* collaborated with *Better Homes & Gardens* magazine to survey 422 families as to their general shopping patterns compared to a year ago.

The *CSA*/Shapiro study provided national projectable results drawn from telephone interviews. The *CSA/BH&G* research reflects BH&G's circulation base, a readership that is slightly more upscale than the national average. Its readers typically are the customers most general merchandise retailers say they target. Data from the 422 completed mailed questionnaires are projectable to that population.

Both studies found consumers better off economically than a year ago. To the question, "Compared to a year ago, my family's financial status is . . .," 54.8% in the *CSA/BH&G* survey answered better. Just 9.7% said worse.

Higher income households reported even stronger feelings. Of those earning more than $25,000 a year, 63.7% said better. Of those earning more than $50,000, 66.2% said better.

The *CSA*/Shapiro survey, in response to a similar question, found 39% better off and 23% in worse shape.

Follow through: Perhaps one of the better clues to examining the consumer mindset of today is the shoppers' attitude toward deferrable purchases.

As the economy has improved consumers are expressing less loyalty to off-price and discount stores.

Fully two-thirds of the 31 products studied at least two years by *CSA*/Shapiro recorded stronger willpower by consumers to follow through on their purchase intentions. For example, this year 27% of those looking for a microwave oven said they would not delay buying it.

Similarly, the percentage for bicycles reached 44% from 27%, for home computers 24% vs. 16% and for patio furniture 31% vs. 20%.

What the year to year patterns suggest is that 1984 and into the first part of 1985 is a time when pent up consumer demand will be vented. This is the time when if a consumer says he is going to buy something he most probably will because he is economically better off than before and because his belief in the future is brighter.

Lower loyalty: To capitalize on the spending surge retailers may do well to enact different strategies reflecting the consumer's perception of store loyalty and brand loyalty for specific products.

Overall, comparisons to previous years reveal that consumers are again demonstrating their independence by showing lower preferences for both store and brand choices. Of the 31 identical products studied, 18 had higher no store preference ratings and 22 had higher no brand preference scores.

To illustrate, about 50% more survey respondents than a year ago did not cite a preferred store where they would buy a personal portable

Better economy cuts into off-price appeal

The wildflower rose of the early 1980's—off-price apparel stores—may have begun to shed its petals.

The upscale customer in search of quality apparel, who in years past equated quality with brands, has retreated from the thrill of the hunt in off-price outlets and has taken to shopping again in more conventional stores, according to a *Chain Store Age/Better Homes & Gardens* survey.

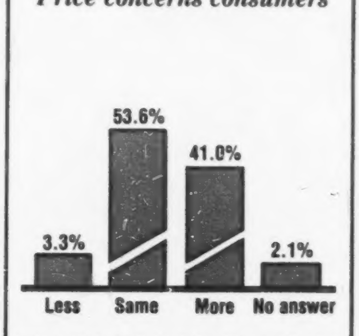
Asked to compare their current shopping patterns to those of a year ago, 31% of the respondents said they were shopping less often in off-price apparel stores. Just 16.1% said more. For those families earning more than $50,000 a year, the erosion was greater: 35.1% less while just 10.4% more often.

The numbers, however, are not all signaling doom and gloom for off-price. Customers ages 18-49, though not increasing their patronage, are not abandoning off-price as rapidly as the population at large. Just 22.7% of those 18-49 are shopping off-price less often, while 58% say they are shopping as often, compared to 50% of the total sample.

The lure of off-price, and for that matter, all discount stores, has waned among the rich. Just 18.2% of that group said they shopped discounters more often. A full 10% more of the general public said they shopped low margin stores in greater frequency.

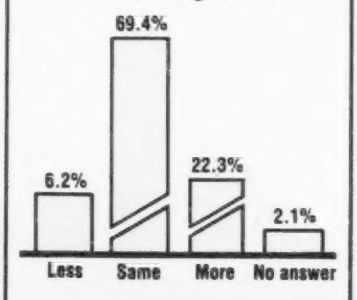
A similar 18.2% of those making $50,000+, vs. 12.8% of the

Price concerns consumers



Source: *Chain Store Age/Better Homes & Gardens*

Pick a store mainly because it is having a sale



Source: *Chain Store Age/Better Homes & Gardens*

Upgrade strategies pay off at Sears, Penney, Ward

	K mart			Other discounters			Sears			Ward			Penney			Dept. store			Catalog showroom			Specialty store			Off-price			Mail order		
	'82	'83	'84	'82	'83	'84	'82	'83	'84	'82	'83	'84	'82	'83	'84	'82	'83	'84	'82	'83	'84	'82	'83	'84	'82	'83	'84	'82	'83	'84
Total store	6.2	8.2	7.0	15.5	12.7	12.8	10.5	8.8	10.7	2.5	4.3	5.6	3.9	3.7	4.4	17.9	12.3	8.8	4.5	5.0	6.0	28.7	29.2	18.4	1.2	1.4	0.6	1.3	3.7	3.3
Hard Goods	6.0	8.2	6.5	16.6	13.5	12.6	10.1	8.3	10.9	2.7	4.7	6.1	3.1	2.8	3.8	15.7	9.6	7.5	5.2	5.7	6.7	29.6	30.1	18.6	0.8	1.1	0.6	1.5	4.1	3.7
Apparel	7.6	8.5	11.3	7.6	7.2	14.2	12.7	12.4	9.6	1.5	2.1	1.7	9.6	9.2	9.8	33.3	30.9	19.6	0.2	—	—	21.1	23.2	16.0	3.9	3.4	1.2	0.4	0.4	0.5

Source: *Chain Store Age*/Leo Shapiro and Associates
Base: All who named a store

stereo with headphones. An additional 25% would not specify a particular brand.

The response to this greater indifference by consumers should not be uniform. Why? Because, says the *CSA*/Shapiro data, products can be segmented into four groupings based on store and brand preferences.

High brand/high store: The first grouping consists of products with high brand and high store preferences. This group includes electric mixers, video game machines, portable stereos, 35mm cameras, instant cameras, sewing patterns, sewing machines, facial moisturizers and children's car seats.

For these products there generally are widely recognized brand names and brand leaders. Stores should attempt to develop "killer" departments by combining a uniqueness of offering to match the power of the brand, much the same way some department stores set up Polo Shops to sell the designs of Ralph Lauren.

The distinguishing characteristic can be anything from unparalleled assortment of sewing patterns to low price for instant cameras.

Because of the reliance on national brands and the competitive forces requiring either low price, heavy service or deep inventory, retailers may expect to reap thin margins from such merchandise.

High brand/low store: The second grouping possesses high brand/low store preference ratings. Products include microwave ovens, vacuum cleaners, home computers, computer software, video tape recorders, personal stereos, blank VCR tapes, bicycles, tennis racquets, typewriters, watches and electric razors.

To this group stores should devote little promotional effort because the product will sell itself. Retailers should exploit the presold nature of the products. One key is to

---

total sample, said they shopped discounters less often.

It should not be inferred from this that customers are less price conscious than a year ago. Apparently they learned their lessons well from the recession.

Four out of 10 in the *CSA/BH&G* poll said price concerns them more than a year ago. Just 3.3% said it concerned them less.

To stretch their dollars, 22.3% said they more often picked a store mainly because it was having a sale. Only 6.2% said they were less influenced by sales.

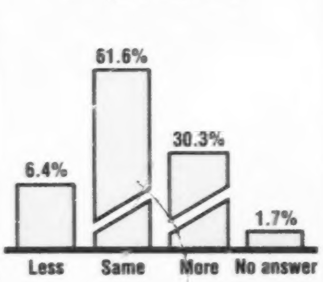
The amount of merchandise bought on sale increased for 30.3% of the sample. It decreased for 6.4%.

The rich are more insulated from these pricing considerations. Only 1 in 4 is more concerned with price this year, though only 14.3% pick a store because of a sale. Thus, it should not be surprising that among the rich 10% fewer respondents (20.8%) said they bought more goods on sale.

What may be surprising is that the rich alone no longer possess the understanding that it pays to shop for quality. Indeed, the general public expressed a higher willingness to pay more for better quality products than did the rich (29.6% vs. 26%).

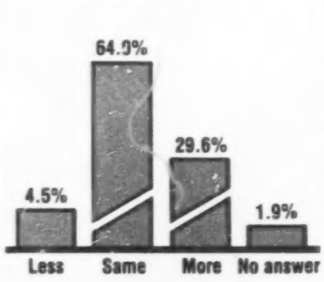
The thrust toward quality appears to be long term. Of those 18-34 year olds, 38.6% said they are more willing to pay more, a good sign for retailers as these customers mature into higher income and/or household formation years.

Amount of merchandise bought on sale



Source: *Chain Store Age/Better Homes & Gardens*

Willingness to pay more for better quality



Source: *Chain Store Age/Better Homes & Gardens*

Loyalty wanes for stores/brands

No Store Preference*				Product	No Brand Preference*			
% '81	% '82	% '83	% '84		% '81	% '82	% '83	% '84
NS	NS	17.8	26.4	Computer software or programs	NS	NS	27.7	31.9
NS	NS	NS	28.9	Educational/do-it-yourself software	NS	NS	NS	25.0
57.7	37.0	32.3	19.9	Video tape recorder	54.4	39.6	33.8	26.1
18.6	30.5	9.5	11.7	Video game machine	29.5	22.9	13.7	19.6
40.9	20.4	22.8	24.7	A telephone	38.8	42.0	42.7	42.4
58.3	32.9	24.4	32.6	Phone answering machine	62.9	44.1	46.4	47.9
NS	NS	19.4	20.8	Blank video cassette tapes	NS	NS	35.7	31.1
NS	NS	NS	15.1	Portable AM/FM stereo radio w/speakers	NS	NS	NS	25.1
NS	17.8	16.0	24.3	Car stereo equipment	NS	25.2	33.9	43.9
NS	15.4	12.7	18.8	Personal portable stereo w/headphones	NS	27.0	22.7	28.3
NS	NS	NS	23.7	Clock/radio/telephone	NS	NS	NS	49.2
NS	23.5	27.5	31.6	Typewriter	NS	27.5	35.2	34.8
NS	NS	22.7	22.3	Printing calculator	NS	NS	36.2	54.9
NS	NS	NS	15.8	Desk top organizer	NS	NS	NS	66.6
NS	NS	NS	15.5	Sewing machine	NS	NS	NS	23.5
NS	14.0	14.8	11.9	Sewing patterns	NS	18.7	26.6	20.0
NS	19.5	12.0	17.5	Craft kits	NS	50.1	54.3	47.8
56.0	29.2	24.9	21.5	Microwave oven	58.6	33.0	29.9	25.7
NS	18.7	25.9	19.1	Microwave bakeware & accessories	NS	30.0	41.8	46.0
NS	NS	16.5	18.9	Vacuum cleaner	NS	NS	18.3	20.0
NS	NS	4.9	14.4	Bathroom scale	NS	NS	50.0	62.0
NS	NS	NS	21.1	Electric razor	NS	NS	NS	20.1
NS	NS	NS	12.4	Electric mixer	NS	NS	NS	25.7
NS	NS	21.9	17.1	Smoke detector	NS	NS	42.0	44.9
NS	NS	22.2	17.5	Automatic garage door opener	NS	NS	29.6	45.0
42.9	22.7	22.0	16.7	Electronic bug killer	58.3	54.8	59.1	59.7
45.8	31.9	20.6	19.0	Barbecue grill	56.9	46.0	43.2	51.4
NS	NS	25.5	23.0	A set of patio furniture	NS	NS	55.3	71.6
NS	NS	NS	1.1	Leaf blower	NS	NS	NS	63.3
49.0	23.0	20.4	16.3	35mm camera	39.7	21.9	12.2	14.9
26.1	28.0	9.3	12.2	Instant camera	25.0	29.3	15.1	16.3
31.3	15.9	13.8	25.0	Bicycle	36.2	34.9	32.3	32.2
NS	NS	9.8	23.7	Tennis racquet	NS	NS	31.4	35.2
38.2	33.5	38.1	35.6	Home computer	45.1	31.9	26.4	27.2
NS	NS	12.3	18.0	Paperback romance novels	NS	NS	41.5	50.3
NS	NS	12.2	12.4	Do-it-yourself books/instruction manuals	NS	NS	55.4	61.0
NS	NS	NS	16.9	Ready-made curtains	NS	NS	NS	63.7
NS	NS	NS	9.8	Electric blanket	NS	NS	NS	51.5
49.9	24.3	17.4	21.5	Luggage	51.1	37.6	35.3	42.7
NS	NS	NS	13.2	Child's car seat	NS	NS	NS	32.5
NS	NS	15.9	24.2	A watch	NS	NS	18.7	22.8
NS	NS	11.8	9.9	Facial moisturizer	NS	NS	18.6	13.9

*Percentage of consumers without preference
NS Not studied
Source: *Chain Store Age*/Leo Shapiro & Associates

be in stock on the important brands as there are few names the consumer spontaneously mentions. More often than not the consumer is conditioned by advertising to select from a narrow list of brands.

For these products, which usually carry low margins, few stores have established themselves as reference points against which other stores measure themselves. As most stores are constantly price promoting the products, retailers must be sure they have hot prices.

Low brand/high store products include bathroom scales, electronic bug killers, leaf blowers, desk top organizers, DIY instruction manuals, ready-made curtains and electric blankets.

For these items consumers rely heavily on stores. They care less about the brand they buy. Instead, they trust the store. Accordingly, the potential for private label is great. Retailers may do well to minimally stock brands and develop their own alternatives.

For low brand/low store products retailers should rely on self-service techniques of staking out items in high traffic areas with dominant displays. As brands are a low preference, private label may work here too. For this group, maybe more than any other, a retailer's skill is required as there is no pull on the consumer either to his store or to a particular brand.

The products include microwave bakeware, smoke detectors, automatic garage door openers, barbecue grills, patio furniture, telephones, telephone answering machines, clock/radio/telephones, car stereos, printing calculators, craft kits, paperback romance novels and luggage.

Store reasons: Why does a consumer pick a particular retailer? In three years of analysis, the overall reasoning has changed little. Price has edged up a little in importance and selection has locked in a steady second place consideration.

A keener understanding can be had from looking at individual store performances. Discount stores, particularly K mart, remain true to their heritage. Price is far and away most important.

For Sears, selection and satisfaction have been hard to pin down. Selection gained then lost in importance, while the opposite was true for satisfaction.

The leaders of Montgomery Ward cannot help but gain confidence from the *CSA*/Shapiro results. For the second straight year selection scored higher, while this year was the first time credit availability did not exceed double digits. Ward also appears to be favorably impressing its customers as it registered a hefty improvement in the satisfaction column compared to a year ago.

So did department stores which, as a group, showed a near 14% improvement in price/discount ratings, no doubt a result of the price slashing to compete with off-price stores. ☐

Family Dollar keeps it below $15.99

Two things have become abundantly clear about the direction retailing has taken in the last several years. The first is that the quality of a store's merchandise and the selection it offers are becoming more important to shoppers. The other is that, despite this trend, price remains far and away the crucial shopping consideration to the typical general merchandise customer.

Family Dollar Stores is a chain whose extraordinary success in the last decade is testament to the continuing importance of price in retailing. The chain has prospered in the rural South, where blue collar is still a prevailing fashion and consumers have not forgotten the harsh economic lessons they learned during the last rounds of inflation and recession.

FAMILY DOLLAR
Coca-Cola
Coke

***Family Dollar** matches competitors' prices on identifiable items.*

To serve these customers, Family Dollar has developed a basic merchandising strategy which has as its foundation one simple rule: Keep the price of as much of the merchandise as possible below $15.99. So carefully does the chain's buying staff adhere to that rule that any new item which would retail for more than $15.99 must first be approved by a buying committee which includes the chain's president, Lewis Levine.

"There are two criteria for items above $15.99 that we'll accept," says Levine. "They have to offer extremely good value, and they must be items shopped on a regular basis during their season of the year."

There is little room for trendy merchandise in Family Dollar's 6,000-8,000-sq.-ft. stores. The chain focuses on everyday merchandise and strives to be the lowest priced on those goods in its markets.

Soft goods constitute about 45% of the chain's mix and Family Dollar generally shoots at one or two price points below other discounters in this merchandise. The chain confines a category like women's apparel to casual wear, focusing on tops that can be promoted for as low as $3 and skirts for about $6. Men's pants will go off as low as $9.99, while dress shirts will sell for $4.99.

On hard goods the chain battles head-to-head with supermarkets and drug chains, whose margins on much of this basic merchandise would make the typical general merchandise retailer blanch. Family Dollar shops these retailers regularly, targeting the most identifiable items, those which make or break a chain's price image, and matches prices with the supers and drug stores.

Even for Family Dollar, however, price alone is not enough. According to Levine, the chain's customers are as interested in value, that is, the relation of price to quality, as customers are in higher niche stores. Family Dollar prospers by continually striving to build value into its mix. In a category like children's wear, for instance, the chain will emphasize sets, like jogging suits, because the perceived value of these ensembles is extremely high.

The chain frequently goes to the market for opportunistic buys to supplement its regular mix, especially in seasonal goods. Since the typical blue-collar worker buys seasonal goods later than customers of higher priced stores, Family Dollar can hang back longer and make favorable purchases closer to the actual selling season.

That same blue-collar worker, however, is wary of goods marked "irregular," so Family Dollar's orientation as a discount retailer does not include bringing in large amounts of second quality merchandise. Irregulars only make up about 3% of company sales.

Family Dollar has prospered through two recessions with its heavily discounted everyday merchandise and continues to do well now that a better economy is here. Understandably, the chain has no intention of changing its merchandising strategy.

"Even though times are better for our customers, we think there's been a return in this country to a consciousness of value buying," says Levine.

Value held highest at discounters

Discount stores offer consumers the best value for their money. That's the verdict given by respondents to a *Chain Store Age/Better Homes & Gardens* survey of 422 households.

Discount stores received the votes from 31% of those polled, followed by 28% mentioning department stores.

Even among the wealthy, those earning in excess of $50,000, discounters came out top rated, 28.5%, compared to 27.3% for department stores.

As a group, the Big 3 of Sears, Penney and Montgomery Ward, ranked third with 18.1%. Individually, Sears was mentioned by 8.8%, Penney by 8.1%, and Ward by just 1.2%.

Off-price apparel stores earned top recognition from 10.4% of the sample, while catalog showrooms had 4%, specialty stores 3.8%, mail-order catalogs 2.1% and variety stores 1.2%.

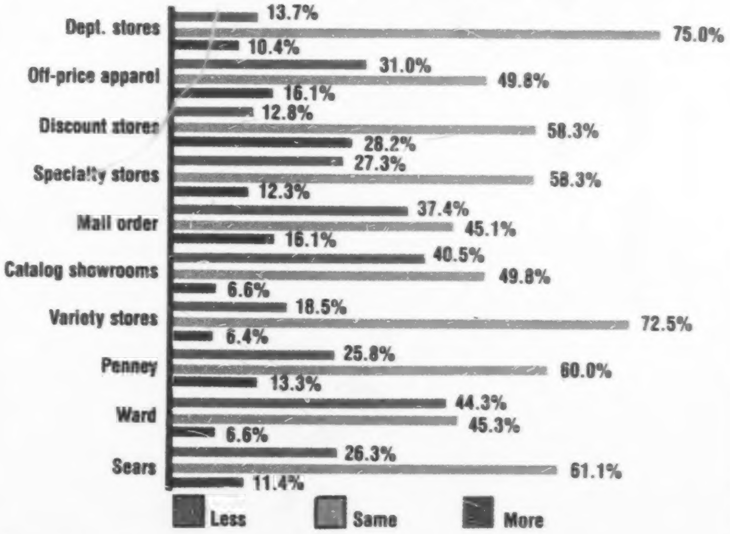
The value ratings of the different classes of trade often translated into a different shopping pattern compared to a year ago.

For example, discount stores were frequented more often by 28.2% of the sample and less often by just 12.8%. For Ward, on the other hand, just 6.6% said they shopped more often compared to 44.3% who said they shopped there less. This suggests that while Ward's sales have increased, the Chicago-based retailer is doing a better job of selling its core customer rather than attracting more upscale customers, as typified in the *CSA/BH&G* study.

Similarly, on the basis of the *CSA/BH&G* research, the repositioning and remerchandising at Sears and J. C. Penney have been less than stellar in drawing new customers. One quarter of the respondents said they shopped less often at both retailers, while just 13.3% for Penney and 11.4% for Sears said they shopped more often.

One positive note: For Sears, the favorable mentions among those 18-34-year-olds hit 15.8%, a sign that its store of the future program may be winning approval from those moving into the power curve of Sears' customer appeal.

Shopping frequency today vs. a year ago



Source: *Chain Store Age/Better Homes & Gardens*

Dayton Hudson makes shopping easier

The lower level of the downtown Minneapolis Dayton Hudson Dept. Store offers a different kind of bargain these days. Home furnishings now replace the budget apparel, which has been integrated into upstairs departments. The changes reflect the company's view that shopping should be convenient, yet fun, for customers.

"Career people don't have the luxury of time for shopping anymore," says Ken Monroe, vp/gmm of home furnishings. The 100,000-sq.-ft. basement—dubbed "700 Under the Mall"—now conveniently merchandises scaled-down versions of housewares, domestics, tabletop and electronics, which were previously scattered on three different floors.

Additionally, gourmet foods have been added to candy and positioned across from housewares in a streetlike environment for a powerful easy-to-shop presentation called the "Marketplace." "The layout of the store [which is an "L" configuration] lent itself nicely to streets," says Joel Kaplan, director of trend merchandising for the home. "We're very happy with traffic. Customers can easily find their way . . . it's laid out for them."

Vp Monroe points out that this concept is not really new. It is an evolution of the trend that brought budget basement apparel upstairs. Moreover, he says, suburban branches have been merchandising the home lines this way for years.

One major difference, however, is the stronger presentation made in the Minneapolis store by unifying some classifications, like champagne glasses, that had been carried in two different departments such as tabletop and housewares. Kaplan adds, "Customers want to shop this way, it's less tricky. . . . They don't want

Satisfaction scores big gains for Big 3, dept. store and mail order hard lines

	Price/ Discount	Selection	Quality	Satisfaction	Location/ Convenience	Credit Access	Service/ Repair/ Guarantee	Other	Not Answering
All stores									
'82	28.1	8.1	8.1	7.3	10.0	1.9	3.0	5.3	28.2
'83	28.5	13.3	6.3	6.2	10.9	2.2	2.3	6.9	21.4
'84	30.0	11.0	8.1	8.6	10.6	2.1	3.0	1.9	24.7
K mart									
'82	62.4	7.4	3.3	4.0	16.4	—	1.1	1.3	4.1
'83	70.8	7.0	2.4	4.0	11.9	0.4	0.9	1.3	1.3
'84	70.6	7.9	4.1	2.3	13.8	—	1.3	1.5	3.7
Other disc. dept.									
'82	67.8	6.2	4.1	3.1	10.7	0.3	0.9	2.6	4.3
'83	56.3	9.5	6.1	3.8	13.4	1.1	0.3	3.0	4.5
'84	71.7	7.7	3.2	6.7	9.9	—	0.9	3.1	2.7
Sears									
'82	20.5	5.7	19.6	17.1	12.1	7.6	6.5	5.3	4.6
'83	20.2	14.7	16.2	11.4	12.1	7.1	6.6	8.2	3.5
'84	19.5	7.4	17.5	17.4	14.5	8.0	8.6	0.7	6.4
Ward									
'82	23.9	3.2	10.4	13.7	17.7	14.3	11.2	0.7	4.9
'83	24.4	11.4	12.1	7.8	16.3	15.5	2.1	6.6	4.0
'84	29.4	12.8	11.5	13.0	20.6	6.9	4.0	2.3	3.6
Penney									
'82	20.1	9.9	15.7	13.4	13.2	16.0	1.9	6.3	2.6
'83	30.7	20.9	13.5	4.1	12.5	8.1	1.0	4.4	4.8
'84	26.1	15.8	12.9	8.7	13.8	12.7	5.8	0.2	4.0
Department store									
'82	37.0	15.4	8.2	10.2	16.7	3.8	2.8	1.6	4.3
'83	23.0	21.2	16.0	8.5	14.4	4.6	1.6	5.3	5.4
'84	33.9	22.4	12.1	14.0	10.0	3.2	4.5	1.6	5.6
Catalog Showroom									
'82	69.9	4.1	5.6	12.8	2.6	—	1.1	0.9	3.0
'83	70.1	6.2	7.3	4.4	7.5	0.7	0.7	1.6	1.5
'84	73.5	5.5	11.0	2.9	5.2	0.4	0.9	1.7	5.8
Specialty store									
'82	19.9	19.4	11.2	10.5	13.8	0.6	5.2	12.8	6.6
'93	20.8	22.6	10.9	9.1	11.9	0.7	4.0	14.3	5.7
'84	23.7	21.0	10.7	11.3	12.6	0.4	3.9	10.0	6.4
Mail order									
'82	53.7	6.8	12.3	1.9	14.8	0.8	2.7	0.8	6.2
'83	27.5	6.4	6.5	14.2	18.6	2.7	—	12.7	11.4
'84	11.3	4.2	10.4	27.5	25.4	1.5	—	11.8	7.9
Factory outlet									
'82	48.9	4.9	5.3	5.4	5.7	—	—	16.9	12.9
'83	57.5	14.8	6.9	—	2.3	—	3.2	7.4	7.9
'84	57.1	17.8	9.9	—	4.2	—	14.2	—	—

Source: *Chain Store Age*/Leo J. Shapiro & Associates

to spend the rest of their lives in department stores."

It is for this reason, too, that checkout areas have been highlighted in each department. Large overhead signs reading "Service" help customers locate saleshelp from wherever they are on the floor.

At the Marketplace, dmm George Collins calls this third generation prototype "near perfect." Merchandising personnel have improved upon the adjacencies and fixturing at the first Marketplace in St. Paul. As a result, Collins expects sales to rise by 35%.

Similar finetuning has already begun for all of 700 Under the Mall. For example, vp Monroe pinpoints signing as a topic under review. He says, "Customers want signs everywhere. Merchants want fewer signs. But the bottom line is that customers should be able to find the price of merchandise without having to look for it."

In electronics, the displays illustrate this point best. Monroe says the best use of signing is on the telephone wall where each phone had a small sign identifying price, features and manufacturer.

The poorest example was a compact stereo display. In this presentation a small pricetag, not easily visible was attached to each item.

Other customer conveniences found include a bridal registry, movie rental and FYI—Home (a personal shopping service to help customers accessorize their homes). Film processing may be the next feature added. ☐

COMPUTER SYSTEMS
SOFTWARE

Convenience and past experience *head list for shopping particular outlets.*

CE shoppers want selection/price

Deep discounting and heavy promotion have typified much of the $28 billion consumer electronics market. Price still remains the reason for choosing an electronics store for 3 out of 10 consumers.

But, according to the *CSA*/ Shapiro study, an even greater number of consumers cite assortment, quality, convenience and past experience as the top reason for shopping a particular outlet.

Catalog showrooms and discount stores are the top choice among shoppers looking for reduced prices. Over 7 out of 10 of their customers say they shop these outlets for low cost. K mart is the exception.

K mart's addition of brand name electronics products and high-end goods has paid off with dramatically changed consumer perceptions. While almost 60% of the discounter's shoppers still choose the nation's second largest retailer for price/discount, nearly 1 out of 7 now selects K mart for the breadth of its assortment.

Just two years ago, only 1 out of 100 K mart shoppers choose the discounter because of product selection. In fact, the 1984 *CSA*/Shapiro poll shows K mart shoppers, when asked the primary reason for shopping the store's consumer electronics department, now cite selection as frequently as do specialty and department store shoppers.

The same strategy has worked for Montgomery Ward. The number of its electronics customers who shop there because of selection has increased 192% in the last two years. And unlike K mart, which does not yet show an increased perception in the quality of its electronics line, the number of shoppers who choose Ward because of quality has jumped 282% since 1982.

The overall leader in consumer perception of quality and past satisfaction is Sears. Over 35% of Sears customers shop its consumer electronics department for these two reasons alone. Conversely, price and selection are less important to the Sears customer than they are to any other retail group in the study.

Specialty stores, which hold the largest share of the consumer electronics market, also have the broadest spread in why their customers choose to buy there. While the specialty stores have seen an increase of 30% since 1982 in those who shop them for price, they maintain the highest number (16%) who shop for assortment and reputation (6.4%). Over one-third of their customers cite quality, past experience and convenience as the primary reason for shopping a specialty outlet. ☐

K mart, Ward strategies change consumer perceptions*

	K mart			Other discounters			Sears			Ward			Penney			Dept. store			Catalog Showroom			Specialty stores		
Deciding factor	'82 %	'83 %	'84 %	'82 %	'83 %	'84 %	'82 %	'83 %	'84 %	'82 %	'83 %	'84 %	'82 %	'83 %	'84 %	'82 %	'83 %	'84 %	'82 %	'83 %	'84 %	'82 %	'83 %	'84 %
Price/ discount	70.6	62.3	58.2	70.1	54.0	76.7	12.9	30.2	19.8	26.8	28.2	30.8	19.1	46.2	27.1	42.4	31.9	40.0	89.5	72.6	70.9	19.4	19.1	25.2
Selection	1.0	6.9	14.9	6.4	11.0	5.9	4.2	15.0	5.9	4.0	10.4	11.7	2.6	6.2	11.9	13.3	14.1	16.1	—	7.3	8.9	16.2	15.5	16.0
Quality	3.8	1.8	2.2	0.5	4.0	0.9	15.6	16.0	16.5	4.0	7.4	15.3	24.0	8.1	6.3	6.8	7.6	10.1	—	7.1	12.4	10.0	12.8	11.4
Satisfaction/ past experience	3.3	5.7	6.7	3.7	5.0	7.4	27.2	5.6	18.8	19.7	7.8	13.0	17.7	7.0	.6	8.0	10.4	10.7	—	—	2.2	11.9	10.4	11.0
Location/ convenience	12.7	17.1	14.4	7.4	12.0	8.5	15.9	10.3	16.3	21.5	18.4	17.0	—	8.2	19.0	14.2	13.4	5.9	—	10.3	5.4	14.6	10.8	11.7
Have an account there/credit	—	—	—	—	1.3	—	7.5	11.3	6.7	15.1	10.8	3.0	20.6	6.2	7.2	8.6	4.6	7.1	—	—	—	0.4	—	0.1
Service/ repair/ guarantee	—	3.6	—	1.3	1.0	1.9	6.1	6.3	7.7	—	2.9	6.5	—	—	10.1	5.1	3.7	8.1	—	2.7	0.9	6.3	6.5	4.6
Reputation/ well-known	—	—	—	1.3	3.0	—	2.5	2.7	2.8	—	4.2	—	—	—	—	—	2.9	2.0	10.5	—	—	3.7	2.1	6.4
Other/not answering	8.6	2.6	3.6	9.3	8.7	4.5	8.4	2.6	5.5	8.9	9.9	2.7	16.0	18.1	14.8	1.6	11.7	8.1	—	0.7	15.4	17.5	22.8	13.6

*May total more than 100% due to multiple responses Source: *Chain Store Age*/Leo Shapiro and Associates

Bright outlook for Sears, Ward, catalog showrooms

	Answering machine		Video game machine		Educational software		Home computer		Computer program		Videotape recorder		Portable stereo		Personal stereo	
	'84	'85	'84	'85	'84	'85	'84	'85	'84	'85	'84	'85	'84	'85	'84	'85
Past purchase '84/might buy '85	2.8%	2.0%	10.4%	2.0%	5.6%	4.8%	5.8%	6.9%	11.6%	5.9%	5.6%	4.8%	11.8%	1.7%	10.4%	2.9%
K mart	3.0	3.0	12.1	9.8	9.0	3.2	9.6	1.9	6.1	8.9	1.0	1.5	5.1	1.9	5.9	7.0
Other discounters	4.5	9.9	18.9	18.1	6.6	8.5	6.0	6.8	16.7	7.4	8.2	7.1	12.0	6.2	17.4	9.7
Sears	6.0	11.9	14.2	23.0	12.3	7.9	10.8	4.5	5.3	3.3	11.3	16.0	10.1	18.5	7.9	12.0
Montgomery Ward	4.5	4.3	4.7	11.5	4.9	5.4	2.4	8.1	6.1	5.0	7.2	7.6	11.5	18.3	5.5	10.0
J. C. Penney	1.5	1.7	6.8	5.4	3.3	1.7	4.8	1.0	5.3	3.3	2.1	2.2	5.1	4.5	3.6	5.3
Department stores	10.4	7.5	6.3	1.7	4.1	1.7	3.6	5.4	1.0	2.2	17.5	5.7	10.6	4.3	6.3	8.2
Catalog showroom	10.4	12.3	6.3	4.2	6.6	5.7	6.0	4.1	4.4	8.6	7.2	1.3	10.1	9.1	9.9	16.5
Specialty stores	50.7	44.6	21.0	19.4	42.6	63.9	44.6	63.5	46.5	56.1	36.1	42.5	25.3	34.0	28.5	21.3
All others	9.0	4.8	9.7	6.9	10.6	2.0	12.2	4.7	8.6	5.2	9.4	15.6	10.2	3.2	15.0	10.0

Source: *Chain Store Age*/Leo J. Shapiro & Associates

	Blank cassette Tapes		Clock/radio telephone		Telephone	
	'84	'85	'84	'85	'84	'85
Past purchase '84/might buy '85	11.6%	6.2%	5.3%	3.2%	28.5%	7.1%
K mart	5.2	16.5	1.3	1.9	5.4	6.7
Other discounters	13.4	14.2	12.7	8.3	12.5	9.7
Sears	5.2	2.7	11.4	14.0	1.0	3.9
Montgomery Ward	3.1	—	8.9	14.6	3.0	3.8
J. C. Penney	1.0	1.0	5.1	9.0	1.3	—
Department stores	9.3	3.8	11.4	5.6	2.7	6.0
Catalog showroom	1.0	5.3	10.1	14.4	1.7	12.8
Specialty stores	47.4	44.8	22.8	22.1	57.2	49.1
All others	14.4	11.7	16.3	10.1	15.2	8.0

Source: *Chain Store Age*/Leo J. Shapiro & Associates

Home computers on horizontal path

If retailers need any confirmation of the volatility of the home computer market, the 1984 *CSA*/Shapiro study provides ample evidence. Consumer intention to buy a microcomputer in the next year remains at the same high level reported in the 1983 poll. This year 6.9% say they will buy a home console in the next 12 months. Last year 7% said they expected to purchase a home unit.

However, this year's study marks the first time in four years of polling that the intention to buy has leveled off. In 1981, 1.2% said they would buy a computer, and in 1982, 2.2% intended to buy. While interest in home consoles is still higher than for 37 other hard lines products studied, this year's results indicate that the vertical growth path for the category might finally be coming to an end.

If the poll's results hold true, industrywide sales in the next year will equal sales for the last 12 months. As the number of outlets offering home units continues to rise, many retailers might even expect to sell fewer than last year. Already, many general merchandisers admit off the record that first quarter sales are down from 1983.

Last year was also the first year in the study in which consumers actually purchased fewer units than they said they had intended to buy a year earlier. Consumers overestimated their purchases by over 17%. In 1983's study 7% of those polled said they might buy a computer in the next year. Only 5.8% actually did.

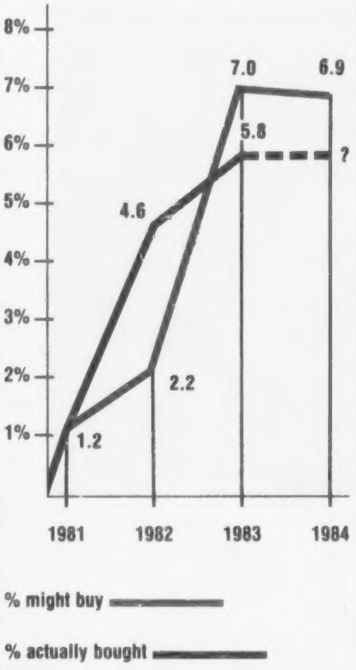
According to the poll, home computers are among the most deferrable of products. About 2 out of 3 consumers who say they might buy in the next year also say that they would delay their purchase if they decided to curb family spending.

The prospective home computer buyer is wealthy and well educated. Of those who have bought or might buy a home console, 83% report family income over $20,000, and 29% say that total income is over $40,000. Nearly 7 out of 10 cite at least some college experience.

The economic/educational profile of the home computer buyer has remained virtually unchanged for the last three years, and may spell trouble for the industry in the long run. Unless computer and software manufacturers can widen their customer base, sales will drop as computers increasingly penetrate and eventually saturate upper bracket households.

Ron Stegall, senior vp of computer marketing for Tandy's Radio Shack sounds a note of warning. "Five per cent of the population will buy a home computer, or anything new, simply because its new," Stegall says. "Another 5% will buy if you give them even the slightest practical justification for buying it. Now we've got to sell the other 90%." ☐

Buying intentions for home computers level off: Will sales follow?



Source: *Chain Store Age*/Leo Shapiro & Assoc.

Software sales show steady growth

Unlike computer hardware, sales of software programs show no sign of letting up. According to the *CSA*/Shapiro poll, 5.9% of United States households expect to buy computer programs in the next year, a gain of 34% over 1983's 4.4% consumer estimate.

In 1983 software consumers underestimated their buying patterns by 164% as 11.6%, or just about all households that own a computer, report they bought software programs in the last year.

This year the market appears even more active. Two out of three people who say they might buy computer programs in the next 12 months have done some shopping in the past 30 days. Last year, fewer than half the prospective buyers had actually begun shopping.

Shoppers expect to pay less for educational software

	% who plan to spend	
Price	**Educational software**	**Other software**
Under $19	4.0	5.7
$19-$30	10.5	13.3
$31-$50	14.1	6.3
$51-$99	3.2	4.5
$100-$149	4.9	5.6
$150-$299	6.9	5.8
$300-$399	2.3	5.0
$400 +	23.3	30.9
Not answering	30.9	22.9

Source: *Chain Store Age*/Leo Shapiro & Assoc.

At the same time, consumers are unsure of what price they expect to pay for software. Over 1 out of 5 (22.9%) do not give an answer to this question. And when it comes to educational software programs, the figure rises to 3 out of 10 (30.8%).

However, in choosing a place to shop, price is less of a consideration among those who might buy educational software than it is for those who might buy other types of computer programs. For the educational buyer, selection is a greater deciding factor in where to shop.

General merchandisers equally divide the software market with electronic and computer specialty stores. Last year 44.8% report buying computer programs at mass market outlets, with 46.5% citing the specialists. ☐

Busy signal for telephone sales

Telephones were the hottest category in consumer electronics last year. Fully 28.5% of the households in the *CSA*/Shapiro study report buying a telephone in the last year. Actual consumer buying outpaced customer's stated 10.9% purchase intentions in last year's poll by an astounding 161%.

Though buying intentions for the coming year are down 35% to 7.1%, telephones remain the electronics category in which consumers express the most interest. But just who is interested and at what price is changing as the market for phones broadens. The market is moving to one that is slightly less affluent, less educated, and older.

Two years ago nearly 2 out of 3 (65.6%) households that had or might buy a telephone had total family incomes in excess of $20,000. For the first time 1984's poll also shows less than half (49.5%) of buyers with at least some college.

One of the fastest growing telephone customer segments is those over age 60. In the last year the over 60 group has grown 35% from 16.9% of telephone purchasers to 22.8% in this year's poll. One out of 5 telephone customers in the next year will be retired.

Perhaps reflecting these changes, what customers expect to spend for phones has dropped. Last year a retailer carrying a $25, $35, $55 and $125 assortment met the price expectations of nearly 3 out of 4 customers. In order to meet the spending patterns of an almost equal number of buyers this year, the retailer would have to drop the high-end model and add a low-end, under $20 machine.

Phone shoppers expect low-price assortment

Price expectations	**'82**	**'83**	**'84**	**% change '82-'84**
Under $10	—	—	0.5	—
$10-$20	2.8	6.0	15.4	+450.0
$21-$30	12.1	17.6	11.0	− 9.1
$31-$50	24.8	25.7	25.9	+ 4.4
$51-$99	19.8	14.7	15.7	− 20.7
$100-$149	13.1	15.0	6.3	− 51.9
$150-$199	2.8	3.0	2.5	− 10.7
$200 +	3.7	2.6	2.5	− 32.4
Not Answering	20.9	15.5	20.1	—

Source: *Chain Store Age*/Leo Shapiro & Assoc.

Although 42% of potential telephone customers have no brand preference, among those who do state a preference, Ma Bell remains the winner. Nearly half (47.8%) of potential phone purchasers name Bell, AT&T or Western Electric equipment as their prime choice.

Telephone specialty stores were the outlet of choice for 47.8% of those who bought phones last year, followed by discounters with 17.8%, electronics specialists at 9.4% and the Big 3 catalog chains at 5.4%. ☐

The upsurge in telephone sales has not affected the answering machine market.

Narrow market for phone answerers

Consumer interest in owning a telephone has not spilled over to create similar excitement in owning a phone answering machine. According to the *CSA*/Shapiro study, 2% of those polled plan to buy a telephone answerer in the next year. This compares with the 2.7% who planned to buy last year and the 2.8% who actually did buy.

The market for telephones, driven by the breakup of AT&T and consumer perceptions of cost savings with added convenience, has broadened in the last three years. The market for phone answering machines has not.

The target customer for telephone answerers looks more like the narrow market for telephones of three years ago: highly segmented. The typical answering machine customer is under 35 years old (49.3%), professional or managerial (41.6%), earns over $30,000 (42.1%) and has no children (64%).

In short, the market for telephone answering machines is apparently driven by a single question: Is there anyone home to answer the phone?

One out of 2 (50.7%) answering machines were bought at electronics and telephone specialty stores last year. Among general merchandisers the catalog chains took 11.9%, department stores 10.4%, catalog showrooms 10.4% and discount stores 7.5%. ☐

Young professionals dominate phone answering machine market

	% might or have bought
Occupation	
• Professional	22.3
• Manager	19.3
• Sales	11.1
• Technical	5.1
Children	
• None	64.0
• One	18.0
• Two	14.3
• Three or more	2.8
Age	
• Under 35	49.3
• 35-54	31.2
• 55 +	17.9
Income	
• Under $30,000	57.9
• $30,000 +	42.1

Source: *Chain Store Age*/Leo Shapiro & Associates

VCR demand to grow 20% for '84

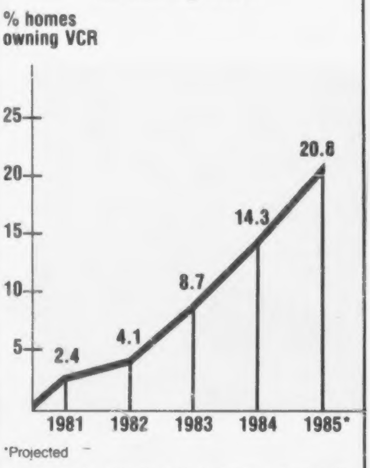
The market for video cassette recorders continues to grow with 4.8% of households polled in the *CSA*/Shapiro study reporting they might buy in the coming 12 months. This represents a 20% increase over 1983's already strong 56% increase in demand.

For the second consecutive year actual VCR sales have outpaced the number of respondents who planned on buying one. Nearly half as many shoppers report buying a VCR in the last 12 months than said they expected to buy in the 1983 study. If the current trend continues, *CSA* predicts between 5%-8% of United States households will buy a video recorder in the next year.

Tumbling prices are both feeding sales growth and changing where consumers shop for VCRs. Reflecting sharp price reductions in the marketplace, spending expectations have dropped 19% in the last year. The average amount expected to be paid this year stands at an all-time low of $528.

The reason consumers give for choosing a particular store also reflects last year's price drops. Price/discount is cited by 35% of respondents in the 1984 poll, as compared to 24% last year.

VCRs in 20% of U.S. homes by 1985



*Projected

Source: *Chain Store Age*/Leo J. Shapiro & Associates

Specialty stores accounted for 36.1% of VCR sales last year, relatively unchanged over the last two years. General merchandisers, on the other hand, have increased their market share from 40.9% in 1982 to 54.6% this year.

Consumers in the 1984 poll are also more brand conscious than they were even a year ago. In 1983 one-third of prospective VCR buyers did not have brand preference. This year 1 out of 4 (26%) do not name a preferred brand.

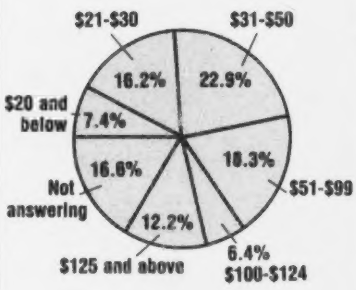
Of respondents who name a brand, Sony is the top choice, cited by 23.8% of those who intend to buy. RCA is named by 13.9%, followed by store brands at 9.3%. ☐

Consumers buy Walkmen on sale

Shoppers for personal portable stereos à la Sony's Walkman report price/discount is the most important factor in picking a store to shop. Forty per cent, the highest of any consumer electronics category in this year's poll, cite price as the primary reason for choosing a specific retail outlet.

Consumers also seem to be putting their sales dollars where their mouths are. Only 1 out of 5 (19.4%) say they bought their personal stereos at the store's regular price. This marks the lowest regular-price sales figure for any of the electronics products in the 1984 poll.

Personal stereo buyers expect to pay less than $50



Source: *Chain Store Age*/Leo J. Shapiro and Associates

When it comes to pricing the portable units, consumers are doing their homework. In last year's study, potential personal stereo buyers thought they would have to spend an average of $121. In 1984, price expectations have decreased to a more realistic $80 average, with a full 50% expecting to pay less than $50.

Though personal stereo buyers may expect to pay less, 62% still anticipate buying a nationally advertised brand. An additional 9.7% say they are considering store brands. Sony's Walkman may not be the one and only consumer choice, but it is the brand preferred by 4 out of 10 (40.3%) in this year's poll. Panasonic, named by 10.4%, is the only other brand listed by more than 1 in 10 respondents.

Just about as many respondents (2.9%) in this year's study expect to buy a personal portable stereo in the next 12 months as said they would in last year's poll (2.8%). However, in 1983 consumers grossly underestimated their buying intentions, as 10.4% actually bought a personal unit in the last year.

Last year consumers may have bought personal stereos when they discovered that they cost significantly less than they anticipated. As more and more prospective buyers have an accurate idea of what the portable stereos cost, consumers may be making more precise self-projections this year. ☐

VCR tapes: call for brands + price

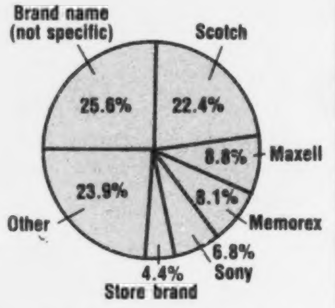
Blank video cassette tapes may not be the commodity item many assume it to be, and it is precisely this fact upon which brand name tape manufacturers are depending. While videotape customers overwhelmingly shop for low price and convenience, according to the *CSA*/Shapiro study, they are also shopping for brand names.

Over half (51.6%) of respondents in this year's poll report price and discount were the primary reasons they picked the store they shopped for videotapes. Another 16.8% listed convenience and location as their top reason. Only 6.4% mentioned quality, and 4.8% answered selection.

From this information alone, it might appear consumers view videotapes purely as a commodity to be bought at the lowest price at the nearest location. While it is undeniably true consumers demand both discount and convenience, this year's poll also shows they demand brand name tapes.

Advertised brands are the choice for 64.7% of potential videotape buyers. Scotch tops the list, picked by 22.4% as their preferred brand. Maxell is the brand named by 8.8%, Memorex by 8.1% and Sony by 6.8%.

Videotape shoppers demand brands



Source: *Chain Store Age*/Leo J. Shapiro & Associates

When asked to rate how strongly they want these brands, consumers show a higher brand loyalty toward specific videotape manufacturers than they do for any other consumer electronics category in the study. Nearly half (46.3%) say they definitely or almost definitely want their preferred brand. Only 2.2% report that brand makes no difference, the lowest ranking for the 11 electronics products studied.

The steep price decline for blank videotapes in the last year has narrowed the gap between brand and off-brand tapes, and many retailers have responded by dropping the off-brands from their assortment.

Over 1 out of 10 (11.6%) of those polled report buying blank videotapes in the last year. In the coming year the study shows 27% more consumers expect to buy a videotape than said they might buy in last year's study. ☐

Boom boxes are a family purchase

Stereotype may say that the market for boom boxes, high-powered, high-volume portable stereo systems, is limited to the young, urban underclass. Like all stereotypes, there's some truth here, but the *CSA*/Shapiro study puts much of that preconceived notion to rest.

Laborers do buy portable stereo systems at twice the rate of their proportion of the polling base.

Those under 20 years old purchase boom boxes at four times their proportion of the base. Nearly half (45.5%) who have bought or might buy in the next year come from families with four or more members. Hispanics buy portable stereos at nearly twice their proportion of the polling base.

Two out of 3 respondents who bought a personal stereo in the last year report that they bought on sale. This represents the second-highest incidence of bargain buying in the study.

But such information tells only half the story. Two-thirds of respondents who have bought portable stereos in the last year or might buy this year have total family incomes over $20,000. Fully 20.5% report family incomes in excess of $40,000. Six out of 10 (59%) have at least some college education, with 9.7% reporting post graduate study. One out of 3 (34.4%) is between the ages of 30 and 40.

The more accurate characterization of the portable stereo system buyer, according to the poll, is a middle- or upper-middle class family with children. Boom boxes are more likely found at backyard barbecues and summer homes than they are on city streets.

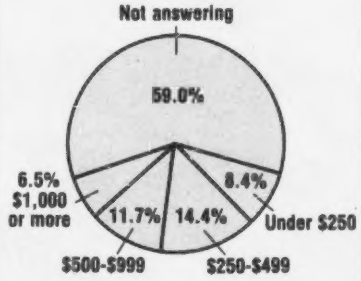
Last year 11.8% of those polled say they bought a portable stereo. In the next 12 months only 1.7% expect to buy. Over 1 in 4 (26.7%) of portable stereos sold last year were bought at the Big 3 catalog chains. Portable stereos are the only consumer electronic category for which the mass merchants outsold electronics specialty outlets.

Half of those who expect to buy in the next year expect to pay over $150, and half expect to pay under that amount. □

CD player sales to increase 180%

Less than 1 out of 3 (28.1%) respondents in this year's *CSA*/Shapiro study have ever heard of a compact disc player. Almost 9 out of 10 (86.4%) say they definitely will not buy a CD player in the next 12 months. Yet the audio laser disc players are pegged by most retailers as a growth category for the next year.

Most shoppers don't know CD player price



Source: *Chain Store Age*/Leo J. Shapiro & Associates

The study provides some factual basis for the retailer's optimism. According to the poll, 0.5% bought a CD player last year. In the next year 1.4% report they definitely will buy, and an additional 8.7% say they may buy in the next 12 months. This represents a potential sales increase of almost 2,000%. Even if only those who say they definitely will buy are considered, next year's sales increase will hit 180%.

Identifying the target customer for compact disc players may be more difficult. The only distinguishing characteristics that separate those with high interest and low interest in the laser disc machines are slight differences in age and income.

The prospective CD player purchaser is somewhat younger. Over a third (34.5%) of those saying they are very interested are under 30 years old. Of those with low interest, only 11.9% are in the under 30 group.

CD player buying prospects also have slightly higher incomes. Those with high interest in purchasing have an average income of $24,700 while those with low interest report average total family income of $22,300.

Most consumers expect to pay about $510 for CD players, but 3 out of five (59%) of those interviewed have no idea what the units cost.

While the market seems, at least for the near future, limited to the true audiophile, the *CSA*/Shapiro poll shows that the target customer expresses enough interest to carry the new product through its initial birth pangs. As prices continue to drop, the potential for a wider market will grow.

The Electronics Industries Association projects that 400,000 compact disc players will be shipped to dealers in 1985, a 100% increase over 1984 when an estimated 200,000 units were shipped. Last year was the first year of introduction for CD players when 35,000 units moved from factories to dealers. □

Cablecasts create component market

The increasing number of cablecast services appears to be creating a market for big ticket televisions with more advanced video and audio capabilities. According to the *CSA*/Shapiro poll, 15.2% of respondents report they have high interest in owning a component television system.

In the next year 1.7% of those polled definitely expect to buy a component TV, with another 9.6% saying they may buy. Last year 2.8% reported buying the sophisticated receivers. The study indicates a potential 300% increase in the next 12 months.

Though just about half (52.9%) of respondents have never heard of component television systems, about one-third (33.5%) say they have. For a comparatively new product, this represents a fairly high recognition.

Consumers expect to pay an average of $719 for component sets. Half (49%) of those who expect to buy in the next year will shop electronics specialty stores. Another 17.7% anticipate buying at full-line department stores.

Families with high interest in owning component systems look very much like those interested in other new high-tech products such as computers and advanced audio equipment. The high interest group for component sets earns an average $24,300, while the low interest group reports total family income at $22,600. □

CORNING Micro Wave PRODUCTS

***Overall, housewares consumers** believe they are good shoppers, always with a keen eye for sale promotions.*

Price rebounds in importance

K mart's effort to upgrade its image is right on track with consumers. They noticed a difference. Selection and quality are cited by more consumers this year than last as a reason to shop the discounter for housewares according to a *CSA*/Leo Shapiro study.

At the same time, for every segment of the market except mail order and factory outlets, price/discount increased its response rate to levels higher than found in the '83 study, and in some cases, even higher than in '82.

Reflecting K mart's efforts at many of its location's to upgrade presentation and mix, 10.6% of consumers cited the discounter in this year's study for quality—up from 3.3% in '83. This is a strong improvement over '82 when no one said they shopped the discounter due to quality. Similarly, the mention of selection as a reason to shop K mart also improved.

Over the past three years, mail-order stores have shown the largest decrease in being shopped for price. Instead, satisfaction with past experiences and convenience—each cited by one-quarter of consumers polled—take precedence with today's time-poor consumers.

The Big 3—Sears, Penney and Montgomery Ward—get good marks for satisfaction with past experience with Ward also getting approval for location/convenience.

Considering the importance of price, its not surprising that today's shoppers buy items on sale. Except for bathroom scales which had a large percentage of shoppers not answering the question, at least 1 out of 2 shoppers purchased the (six specific housewares) items tracked on sale. Vacuum cleaners were purchased on sale by 63.3%.

Brand preference varies among housewares shoppers. Six out of 10 have no preference when purchasing a bathroom scale while 46% have none for microwave cookware. For the other four categories, more than one half prefer an advertised brand.

Overall, housewares consumers believe they are good shoppers. On a scale of 1 to 9 with 9 being outstanding and 1 poor, the scores range from 6.19 for microwave bakeware shoppers to 7.13 for shoppers for electric mixers.

This is good news for self-service stores like discounters and catalog showrooms where little product information or demonstration is available. ☐

Consumers want microwave ovens

Today's baby boomers are prime prospects for buying micro-

Microwave oven sales continue hot pace

	Microwave oven		Electric Mixer		Vacuum		Microwave Bakeware		Bathroom scale	
	'84	'85	'84	'85	'84	'85	'84	'85	'84	'85
Past purchase '84/might buy '85	8.2%	5.8%	4.2%	1.5%	15.4%	5.2%	10.6%	4.2%	10.0%	3.9%
K mart	1.7	5.4	10.9	13.6	2.4	3.0	6.7	10.3	11.1	18.8
Other discounters	5.0	1.8	30.4	10.6	7.3	12.2	10.8	22.0	16.7	21.9
Sears	16.7	20.8	5.4	18.5	27.4	34.1	15.0	21.8	12.2	14.9
Montgomery Ward	11.7	5.0	7.6	17.1	9.8	11.6	5.8	1.6	8.9	15.3
J. C. Penney	3.3	7.8	2.2	4.9	3.0	2.7	7.5	8.0	4.4	5.8
Department stores	5.0	11.5	12.0	11.4	7.9	9.7	20.0	14.4	6.7	6.8
Catalog showroom	3.3	5.0	7.6	14.6	6.7	7.9	5.0	8.4	17.8	10.8
Specialty stores	45.0	39.2	1.1	5.9	17.7	8.2	1.7	1.6	3.3	1.7
All others	8.3	3.5	22.8	3.4	17.8	10.6	27.5	11.9	18.9	4.0

Source: *Chain Store Age*/Leo J. Shapiro & Associates

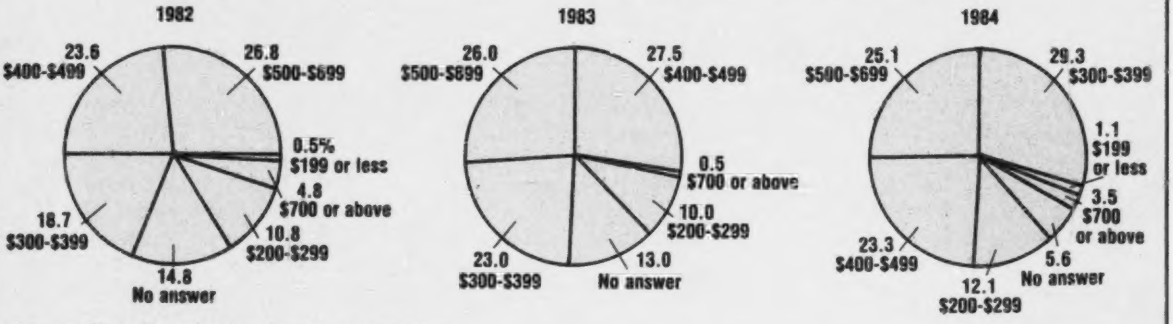
*Price jumps back into top spot for housewares shoppers**

Reason for shopping	K mart			Other discounters			Sears			Ward			Penney			Department store			Catalog showroom		
	'82 %	'83 %	'84 %	'82 %	'83 %	'84 %	'82 %	'83 %	'84 %	'82 %	'83 %	'84 %	'82 %	'83 %	'84 %	'82 %	'83 %	'84 %	'82 %	'83 %	'84 %
Price/discount	63.2	69.9	73.3	74.7	58.6	83.2	22.3	20.9	23.6	28.5	17.5	19.5	4.2	26.7	33.1	43.2	18.5	25.5	75.4	67.2	80.7
Selection	7.4	3.9	6.0	2.0	9.3	—	8.0	14.4	4.5	—	12.5	5.3	14.3	31.8	7.9	15.4	25.2	13.4	6.8	6.2	2.6
Quality	—	3.3	10.6	4.9	5.7	2.0	23.1	15.4	18.1	—	—	16.8	4.3	5.0	18.0	9.7	17.8	7.7	6.8	5.3	9.3
Satisfaction/past experiences	5.7	5.2	—	0.7	3.0	10.5	14.0	13.1	19.8	28.7	9.6	18.8	4.3	5.0	18.0	12.8	10.3	15.7	—	7.0	2.4
Location/convenience	18.2	15.0	14.7	13.6	15.8	6.6	13.7	14.4	11.5	10.9	22.2	23.4	—	15.7	9.3	13.5	10.2	18.5	4.8	10.2	5.6
Have an account there	—	1.3	—	—	2.5	—	2.0	8.4	6.7	20.9	16.0	9.2	29.4	10.1	16.2	1.1	7.6	4.0	—	4.0	2.4
Service/repair/guarantee	1.8	—	2.1	0.8	—	—	10.2	7.1	5.5	—	—	3.7	4.2	—	5.7	1.9	0.7	9.0	—	—	—
Other/not answering	3.7	1.4	4.4	3.3	5.1	4.6	6.7	6.3	5.7	5.6	13.3	4.5	25.6	0.1	4.1	2.4	9.8	10.4	6.2	0.1	3.1

Source: *Chain Store Age*/Leo Shapiro & Associates

*May add up to more than 100% due to multiple answers

Consumers cite $300-$399 as most popular price point for microwave ovens



Source: *Chain Store Age*/Leo Shapiro & Associates

wave ovens in the coming 12 months. These upscale, time-poor shoppers will continue to boost sales and keep the microwave market vibrant.

While fewer households polled in this year's *CSA*/Leo Shapiro & Associates study say they plan to buy a microwave oven in the coming 12 months than in the '83 study, the interest is still well above levels measured in '82 and '81. The percentage of consumers who are actively shopping the market for a microwave is, however, higher than in '83.

The shopper profile reveals a 25- to 29-year-old white-collar professional earning $25,000 to $30,000 and either living alone or with one other person. These consumers may be setting up housekeeping for the first time and a microwave oven is one priority.

But the potential buyer is not motivated just by a desire to get the lowest price. Although price/discount is still the leading factor (36.8%) in deciding where to shop (and 54.9% bought their last microwave oven on sale), the second most frequently mentioned response is satisfaction/past experience (15%)—something mentioned by a mere 3.4% in '83.

Consumers are also planning to make this purchase at different outlets. In tracking microwave oven sales over the past three years, Sears has suffered the biggest swings in consumer affection. Cited by 35.1% of consumers polled in '83 as the place they might buy a microwave oven (up from 24.5% in '82), only 20.8% pick Sears in this year's survey.

While Sears remains the actual leader in market share, Montgomery Ward and the catalog showrooms are all nipping anxiously at the leader's heels, trying to grab some of the share. And, the survey indicates they are making some gains.

Fewer households report buying a microwave oven from Sears in the last year. Just 16.7% bought one there as opposed to 33.3% who purchased one at Sears in '83 and 20.7% in '82.

Consumers may feel that Ward and the catalogers offer better prices on dependable brand name goods, an important consideration since 58.5% of consumers polled want an advertised brand. Only 15.9% choose a store brand.

Prospective buyers have an idea of how much they plan to spend, but the mean amount of $433 is high, indicating shoppers are not totally clear on the cost of these ovens. For example, the dmm for a southeastern discounter says $200 is the best-selling price point and plans to offer consumers a selection of ovens that will retail between $150 and $250. ☐

Newness will help bakeware sales

Consumer intention to buy microwave bakeware and accessories has remained fairly consistent between '82 and '84 based on

Specialty store			Mail order			Factory outlet		
'82 %	'83 %	'84 %	'82 %	'83 %	'84 %	'82 %	'83 %	'84 %
50.0	27.9	33.2	61.4	51.7	11.3	71.0	66.1	57.1
18.1	17.0	14.3	—	12.6	4.2	—	7.0	17.8
11.7	18.0	14.0	23.3	18.5	10.4	15.9	—	9.9
2.8	12.1	16.6	—	—	27.5	—	—	4.2
4.4	10.9	4.0	8.8	—	25.4	—	—	6.7
3.9	—	—	—	17.2	1.5	—	—	14.2
4.2	4.2	6.2	—	—	2.1	—	—	—
4.9	9.9	5.4	6.5	—	8.8	13.1	26.9	—

yearly surveys by *CSA*/Shapiro.

Currently, 4.2% of all households surveyed indicate they may buy microwave cookware during the coming 12 months. The studies also show that about twice as many consumers usually buy during the year as say they might.

This purchase is something of an impulse buy which retailers can take advantage of by cross merchandising and clever promotions. Many already have a selection of accessories with cookware and with microwave ovens.

Since the business is relatively stable, retailers and manufacturers could rest on their laurels and depend on the consumer for continued sales.

But this doesn't seem to be the case. Discounters are increasing their assortments, and many retailers are taking advantage of the lack of consumer loyalty to any one brand to develop private label and imported merchandise.

Shoppers plan to spend less for microwave bakeware

	1982 %	1983 %	1984 %
Under $5	16.0	6.2	5.1
$6-$9	3.9	1.1	1.9
$10-$12	4.0	6.2	10.2
$13-$14	—	—	1.3
$15-$18	3.0	3.3	1.7
$19-$20	3.3	7.5	4.4
$21-$25	5.5	2.6	6.1
$26-$30	2.1	3.6	7.5
$31-$35	0.5	—	3.1
$36-$50	4.8	10.6	2.3
$51-$99	7.8	2.6	—
Over $100	15.2	18.3	17.4
Not answering	33.9	38.0	38.4
Mean	**$116**	**$137**	**$106**

Source: *Chain Store Age*/Leo Shapiro & Associates

New, smaller introductions for the newer compact ovens and a SilverStone-coated microwave line due out this fall have retailers excited. "The SilverStone microwave cookware should really boost our normally good business," says a buyer for a 15-store southeastern department store.

The consumer, however, must be satisfied on price first and selection second. Advertised brands are preferred by 38.1% with store brands getting approval from 15.9%. The percentage of consumers who have no brand preference at all is up slightly to 46%.

Consumers who do want a brand are more aware of which manufacturer makes the products this year. Corning is chosen by 15.4%, Pyrex by 6.7% and Litton by 6.2%. No matter what brand is chosen, consumers are sale conscious as two-thirds report having last purchased microwave bakeware on sale. ☐

Branded vacuums clean up sales

Retailers can really clean up on vacuum cleaner sales by offering the consumer brand name goods at promotional prices according to the *CSA*/Shapiro study.

The big winners this year are Sears, Montgomery Ward and catalog showrooms, all showing increases in market share points, with specialty stores coming up the big losers.

In '84, 27.4% of all households polled who reported buying a vacuum during the year made the purchase at Sears. For the prior year, only 18.1% bought one there. Ward's response went from 5.7% in '83 to 9.8% in this year's study while catalog showrooms showed similar gains jumping from a mere 1% to 6.7%.

Specialty stores were mentioned by 24% in the '83 study as the place they might buy a vacuum, yet just 17.7% did so. In this year's study 8.2% say they might buy from a specialist.

The '84 study shows a marked increase in the importance of price/discount to potential buyers in choosing where to shop. The mention of price by 28.9% is almost double the 15.7% who mentioned it in '83 when satisfaction/past experience was the top rated reason for shopping a store. This year satisfaction was cited by only 12.8%. Nearly 2 out of 3 vacuums were bought on sale.

Hoover pulls best

	%
Hoover	46.2
Sears/Kenmore	16.2
Electrolux	11.2
Eureka	6.2
Kirby	2.6
Regina	1.6
Singer	1.6
Other	14.4

Source: *Chain Store Age*/Leo Shapiro & Associates

In both years, however, the vacuum customer has shown a sharp inclination to buy either advertised or store brands. Just 1 in 5 shoppers has no brand preference at all. Three out of 10 say they definitely want a branded appliance.

Consumers who say they may buy during the coming year expect to spend less than in '83. The mean amount is just $155 compared to $213 a year ago. ☐

Razors shave off a piece of business

Retailers promoting electric razors on endcaps or at checkouts may have an opportunity to increase sales on this item come Christmas.

This year's *CSA*/Leo Shapiro & Associates study indicates that razors are an impulse item. Just 1% of all households polled report they might buy an electric razor during the coming year although 6.3% actually made a purchase during the last year. Underscoring the impulse nature of the purchase, the category has the lowest percentage of households actively shopping the market of all items tracked in this year's survey.

Retailers say there are two major

Norelco preferred by nearly half of consumers polled	
Brand	**%**
Norelco	**49.7**
Remington	**30.2**
Store brand	**14.7**
Panasonic	**3.4**
Other	**2.0**

Source: *Chain Store Age*/Leo Shapiro & Associates

surges during the year for razor sales—just prior to Father's Day and Christmas. The item makes a practical gift, one that's not too expensive. Consumers who say they might buy during the coming 12 months plan to spend an average of $39, although 54.4% who bought a razor in the past year say they purchased it on sale.

The typical shopper suggested by the study is older (50.3% are over 50), better educated with a family income of $40,000 or more. There is one child in the household between 12 and 17-years-old.

The majority of consumers who say they might buy do agree on two things: 6 out of 10 shop a particular store due to price, and 68.1% want an advertised brand. ☐

Mixed reviews on mixer prices

There is an electric mixer for every type of consumer, and consumers seem to reflect this in the broad range of prices they expect to pay for the item.

While 20.9% of consumers polled in this year's *CSA*/Leo Shapiro & Associates study expect to pay $36 to $50, another 12.5% say $51 to $99. Yet another group—15.2%—would spend between $150 and $299. There is also a market for low-end mixers with 19.1% of consumers expecting to pay under $20. Only 1 in 10 was unable to answer the question.

Retailers who can appeal to a large segment of consumers by offering broad assortments at promotional prices may be able to increase their mixer sales. For example, Best Products offers the KitchenAid "Gourmet Pak" mixer for under $300, a Sunbeam 12-speed mixer for $98 and several models under $20.

Consumers want *product assortment.*

Based on the selection, brand names and low prices at showrooms, almost twice as many consumers say they might buy a mixer at a showroom during the coming 12 months as bought there in the past year. Consumers show an indication they are moving away from discounters who often do not offer a full product assortment especially at the upper price range.

Mixers appeal to larger families			
Item	**Three or more people in household**	**Houehold income over $20,000**	**Over 30 years old**
Microwave oven	**53.5%**	**70.7%**	**69.8%**
Microwave bakeware	**62.2**	**71.1**	**66.2**
Vacuum cleaner	**61.7**	**67.3**	**71.7**
Bathroom scale	**55.9**	**68.4**	**62.5**
Electric razor	**55.7**	**71.7**	**80.4**
Electric mixer	**65.7**	**66.1**	**76.4**

Source: *Chain Store Age*/Leo Shapiro & Associates

Of all six housewares items tracked in this year's study, mixers has the highest percentage (33.9%) of families reporting a family income under $20,000 or reporting three or more children in the family (15%). ☐

No advantage to branded scales

Despite the attention today's baby boomers pay to appearance, diet and exercise, fewer consumers aged 20 to 39 polled in this year's *CSA*/Shapiro study say they might buy a bathroom scale during the coming year compared to a similar study in '83.

While 3.4% of all households interviewed in '83 said they might buy a scale during the coming year, 10% did. In this year's survey, 3.9% of consumers say they might buy, so retailers may project at least a similar sell through for the coming 12 months.

There has been no great surge of interest in scales. Even the introduction of electronic digital scales failed to build the market.

These new scales often retail for about $50 or more, yet only 8.8% of consumers expect to pay that much for a scale. The average price is $26, down from $27 in '83.

Brands have not grabbed shopper's fancy in this category with 62% having no brand preference at all—the highest percentage of any housewares item tracked. Of the remaining shoppers who do want an advertised or store brand, only 17.1% are definite about wanting that particular brand.

The only major change in where shoppers might buy is a shift toward catalog showrooms which goes from 5% in '83 to this year's 10.8%. ☐

Twice as many consumers choose scales under $15 in '84		
	1984 %	**1983 %**
$9 or less	**1.4**	**2.0**
$10-$12	**15.5**	**8.5**
$13-$14	**2.0**	**—**
$15-$16	**13.7**	**14.7**
$17-$18	**3.6**	**3.0**
$19-$20	**11.8**	**20.4**
$21-$25	**7.9**	**11.9**
$26-$30	**12.4**	**14.2**
$31-$35	**5.7**	**4.2**
$36-$50	**4.2**	**6.4**
Over $50	**8.8**	**5.1**
Mean	**$26**	**$27**

Source: *Chain Store Age*/Leo Shapiro & Associates

***This year's higher** prices may be a deterrent to the older customer who is just beginning retirement.*

Patio furniture price a concern

The market for patio furniture in the next 12 months could slow up considerably compared to 1983. The *CSA*/Leo Shapiro & Associates data suggests that this year's anticipated higher prices may act as a deterrent to the shopper, an older customer who is planning for or just beginning retirement.

In this year's study, 41.3% of those who have or are planning to buy patio furniture are 45 years old or older vs. 36.3% who were that old in the '83 study. Additionally, 39% are between the ages of 30 and 44 compared with 41.7% in 1983. One out of two have family incomes below $30,000, similar to last year's survey.

Over the past 12 months, this older customer has become increasingly concerned about patio furniture prices. Discount or low price was the No. 1 factor influencing 37.9% of this year's shoppers. Last year, it was mentioned by 27.2% of those polled. (Selection and quality were the second and third motivators each year.) Moreover, 1 out of every 2 polled this year bought the merchandise on sale.

Fueling their concern is the higher average anticipated price of $426, a $67 increase over 1983. In fact, 35.2% expect to pay between $200 and $499 during the next 12 months compared with 1 in 3 who anticipated this range in 1983.

Higher prices deter sales

Anticipated price	1984	1983
$99 and under	5.0%	13.3%
$100-$124	15.6	8.4
$150-$199	7.2	7.8
$200-$299	19.0	16.2
$300-$399	9.2	11.3
$400-$499	7.0	6.0
$500-$699	8.5	11.3
$700 or more	13.1	7.2
No answer	15.4	18.5

Source: *Chain Store Age*/Leo Shapiro & Associates

Shoppers are not as concerned with brands as they had been previously. Nearly 72% of the '84 shoppers said they had no brand preference vs. 55.3% of the '83 group. Of the '84 who expressed a brand preference, 37.9% want a store brand and 62.1% specified an advertised name.

Following last year's shopping patterns, 66.6% of the '84 buyers made purchases almost equally at discounters, the Big 3 catalog chains and product specialty stores. ☐

Promos heat up barbecue sales

Hot price promotions stir up barbecue grill sales, indicates the 1984 *CSA*/Leo Shapiro & Associates study. Of all products tracked, this outdoors item had the best response rate to promotions,

Sears dominates lawn and garden

	Leaf blower		Barbecue grill		Patio furniture		Electronic bug killer	
	'84	'85	'84	'85	'84	'85	'84	'85
Past purchase '84/ might buy '85	1.5%	0.4%	11.6%	4.1%	4.5%	2.7%	2.8%	1.6%
K mart	—	11.8	6.0	9.3	7.6	1.8	2.0	5.1
Other discounters	5.3	—	14.6	23.1	15.2	12.5	8.0	13.0
Sears	36.8	35.4	14.6	16.1	10.6	24.0	22.0	29.3
Montgomery Ward	5.3	18.0	9.9	8.1	10.6	9.1	4.0	25.4
J. C. Penney	—	—	1.3	1.2	1.5	5.5	—	—
Department stores	—	—	5.3	4.8	9.1	14.0	4.0	1.2
Catalog showroom	5.3	—	8.6	12.3	7.6	2.5	8.0	6.2
Specialty stores	—	—	5.3	8.4	21.2	13.0	6.0	2.4
All others	47.3	34.8	34.4	16.7	16.6	17.6	46.0	17.4

Source: *Chain Store Age*/Leo J. Shapiro & Associates

Ward wins barbecue shoppers

Retail outlet	'84 % who shop at:	'84 % who bought at:	'83 % who shop at:	'83 % who bought at:	'82 % who shop at:	'82 % who bought at:
Discounters	32.4%	20.5%	37.0%	34.4%	35.9%	33.7%
(K mart)	(9.3)	(6.0)	(19.7)	(16.7)	(11.2)	(10.9)
Big 3 catalog chains	25.4	25.8	28.5	13.5	16.2	17.9
(Sears)	(16.1)	(14.6)	(18.0)	(8.3)	(14.8)	(14.1)
(Montgomery Ward)	(8.1)	(9.9)	(5.2)	(4.2)	(1.4)	(2.2)
(J. C. Penney)	(1.2)	(1.3)	(5.3)	(1.0)	(0.0)	(1.6)
Department stores	4.8	5.3	8.5	11.5	18.7	14.7
Catalog showrooms	12.3	8.6	4.8	10.4	3.9	2.7
Hardware stores	10.3	9.9	3.4	7.3	5.7	6.0
Other	14.8	29.9	17.8	22.9	19.6	25.0

Source: *Chain Store Age*/Leo Shapiro & Associates

with 7 out of 10 consumers saying they bought merchandise on sale.

Additionally, the promotional war has caused this year's average anticipated pricetag to drop from $106, as reported in the '83 *CSA*/Shapiro study, to $93. In fact, nearly 36% of the shoppers polled this year expect to pay less than $50 compared with 32.5% who anticipated similar prices last year.

Like the three other lawn and garden products tracked this year, the majority of barbecue grill customers (51.4%) have no real brand loyalty. One out of every 3 of the remaining shoppers prefer an advertised brand while 14.4% want the store brand.

The Big 3 catalog chains and discounters have attracted the largest market share over the past three years. However discounters have been slipping in their share while the Big 3 picked up the slack.

Montgomery Ward, in particular, has had the best record overall of converting prospective buyers into purchasers. For example, in 1983 5.2% of consumers said they would go to Ward for a barbecue grill and in 1984, 9.9% actually bought the merchandise there.

The best prospects for barbecues are families with one or more children and incomes ranging from $15,000 to $40,000. ☐

Price gains importance

Service and repairs (22.2%) or convenient store locations (21%) influence prospective buyers of leaf blowers almost as much as low prices (32.9%), notes this year's *CSA*/Leo Shapiro & Associates study.

But regardless of the importance consumers place on price, more than half of the shoppers have unrealistic expectations or no idea as to retail cost. One in 4 expect it to be less than $50 while another 28.6% wouldn't venture a guess.

Brands, on the other hand, play a lesser role in the buying decision. Only 1 in 3 want either a store or an advertised brand and of this group, 61.3% want the store brand, 18.9% want Black & Decker and 10.3% want Toro.

Of the four lawn and garden items tracked in this year's survey, leaf blowers are the least likely item to be delayed (55.5%) should consumers cut back on spending. (In the overall study, it was fifth—behind such items as car seats and moisturizers.) This is because the leaf blower customer is slightly older (69.4% are older than 50) and more affluent (55.5% have family incomes in excess of $30,000) than buyers of other lawn and garden items. They are also more likely to have no children living at home. ☐

1 in 4 anticipate prices to be $51-$124

$21-$25	6.9%
$36-$50	18.0
$51-$99	12.8
$100-$124	13.9
$150-$199	6.9
$200-$299	5.3
$300-$399	7.6
No answer	28.6

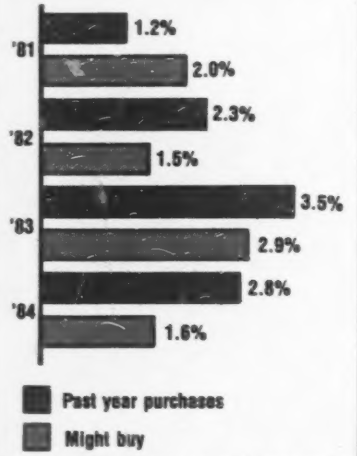
Source: *Chain Store Age*/Leo J. Shapiro & Associates

Bugs revenge! zap go killers

Electronic bug killers may have peaked as a product that zaps public attention. Consumers have fallen into a slower sales pattern and are either going for price or selection when choosing a store.

After a three year rise in purchases, consumers last year decreased their bug killer buys, according to the latest *CSA*/Shapiro study. In addition, the number of households expressing an intention to buy in the next year fell from 2.9% to 1.6%.

Ceasefire in bug killing?



Source: *Chain Store Age*/Leo J. Shapiro and Associates

Selection has almost doubled as the reason cited for picking a store. In 1982, 7.5% of those polled named it. This year it came in at 13.1%. Price also has increased, from 28.6% to 33.7%.

However, despite an average price expectation of $69, consumers appear willing to trade selection and other criteria for price. Bug killers registered one of the lowest bought-on-sale percentages (41.6%).

Consumers most likely to purchase bug killers have family incomes exceeding $20,000 (51.1% with $30,000-plus). This is slightly higher than in prior studies. Customers also are somewhat younger. One in four is under 30 compared to 1 in 8 reported in 1983. ☐

Specialty stores dominated *auto sound system sales last year.*

Car stereos a two-tier market

The market for car stereo equipment is rapidly changing from a midprice dominated business to a two-tier market with bulges at the high and low ends, according to the *CSA*/Shapiro poll.

In only two years consumers have dramatically divided into two growing groups of car stereo buyers: those for whom low price is the dominant factor in the buying decision and those who want their auto sound systems to match the audio quality enjoyed in their living rooms.

Two years ago, only 26.6% of consumers who intended to buy a car stereo system expected to pay less than $150. By 1984, fully 33.3% of prospective buyers anticipate paying less than $150, a 25% increase.

At the same time, 1982 saw 55.1% of potential car stereo purchasers clustered in the $150-$399 midprice range. This year the percentage of consumers who expect to pay in the midrange has fallen by 40% to 32.8% of the total.

Meanwhile, the largest growth (125%) is in the category of consumers who expect to pay over $400. In 1982 the high-end represented only 5.9% of the market. This year 13.3% anticipate spending over $400 for their car stereos.

While the majority (56.1%) of those who intend to buy a car stereo system in the next year also expect to purchase a nationally advertised store brand, 43.9% profess no current brand preference. This year's results represent a 75% increase over 1982, when the number of households with no preferred brand stood at 25.2%.

The ranks of those with no store preference also continue to grow. In 1982, 17.8% of households that intended to buy an auto stereo had no particular outlet in mind. By 1984 the figure has risen to 24.3%, a 36% increase.

Specialists drive market

	Car stereo	
	'84	'85
Past purchase '84/ might buy '85	8.7%	3.3%
K mart	**3.8**	**—**
Other discounters	5.0	15.3
Sears	**4.4**	**6.6**
Montgomery Ward	1.9	6.9
J. C. Penney	**2.5**	**1.0**
Department stores	1.3	2.3
Catalog showroom	**2.5**	**7.1**
Specialty stores	59.1	54.7
All others	**19.5**	**6.1**

Source: *Chain Store Age*/Leo J. Shapiro & Associates

Car stereo shoppers abandon midprice range

Price expectations	1982	1983	1984	% change 1982-84
Under $50	**5.1%**	**3.6%**	**4.3%**	**– 15.7**
$50-$99	6.9	7.3	9.4	+ 36.2
$100-$149	**14.6**	**19.1**	**19.6**	**+ 34.2**
$150-$199	14.9	14.8	8.6	– 42.3
$200-$299	**28.1**	**21.0**	**14.9**	**– 47.0**
$300-$399	12.1	9.5	9.3	– 23.1
$400+	**5.9**	**9.7**	**13.3**	**+125.4**
Not answering	12.4	15.0	20.6	—

Source: *Chain Store Age*/Leo Shapiro & Associates

Audio/electronic and specialty stores grabbed the lion's share of last year's sales, garnering 59.1% of the market. Discounters accounted for 8.8%, the Big 3 catalog chains 8.8% and department stores 1.3%. For those who intend to buy this year, audio/electronic stores again lead the list, cited by 4 out of 10 prospects. Discount stores are mentioned with the next greatest frequency.

Not surprisingly, people who have bought or might buy car stero equipment in the next year are younger, better educated and more affluent than the population as a whole. While those under 30 years old represent only 22.8% of those polled, they account for fully 44.7% of prospective car stereo buyers. Nearly 72% earn more than $20,000, and 38% earn over $30,000. Over 60% have attended college or graduate school.

Sales of car stereo equipment last year outpaced consumer's declared buying intentions by 271%. Only 3.2% of households polled in 1983's *CSA*/Shapiro study expected to buy auto sound equipment in the following 12 months. But 8.7% queried this year reported purchasing a car stereo in the last year. Purchase intentions for the next 12 months remain at a relatively steady 3.3%.

The Electronics Industries Association estimates factory sales to dealers of auto sound equipment will reach $1.9 billion in 1985, a 5.5% increase over 1984. According to the EIA, aftermarket sales will account for 68% of the total next year, compared with 66% in 1984. ☐

ELECTRONIC
GARAGE
DOOR
OPERATOR

***Garage door opener** customers are better off than those for most other products.*

Convenience overrides price

Automatic garage door openers fared better than 75% of all the products tracked in the *CSA*/Leo Shapiro & Associates study. Only a few low-ticket and safety products were rated as more of a nondeferrable purchase.

This suggests that the convenience provided by automatic garage door openers overrides price. Additionally, price is only a minor consideration in choosing a store, mentioned by 16.8% of the shoppers. Almost as many (15.6%) said they choose stores because of satisfactory past experiences.

One reason price is less of a factor in this high-ticket buying decision is because the customer is better-heeled than for most other products. More than 81% of the prospective buyers report incomes in excess of $20,000 and one-third of that group has incomes over $40,000.

Still, garage door opener customers are bargain shoppers. Approximately 52% of them bought the merchandise on sale last year. Moreover, most who are planning to buy this year are ambivalent as to store brand (25.2%) vs. an advertised name (29.8%) and another 45% have no brand preference at all.

However, of all the shoppers who specifically mentioned a brand, approximately 45% named Sears, followed by 31.5% who said Genie. Stanley and Alliance were the third and fourth, respectively, most-named brands.

For the second consecutive year, Sears drew the largest per cent of buyers and shoppers. Approximately 47% of this year's buying sample made their purchases at the No. 1 retailer while 57.4% of the prospective buyers plan to shop there. The distant second is product specialty stores with 12.8%. ☐

Sears-garage doors: its automatic

	Smoke detector		Garage door opener	
	'84	'85	'84	'85
Past purchase '84/might buy '85	10.8%	5.7%	3.6%	1.9%
K mart	6.5	13.4	2.6	—
Other discounters	25.0	9.9	2.6	2.4
Sears	16.7	31.7	47.4	57.4
Montgomery Ward	10.2	7.6	7.7	9.7
J. C. Penney	—	1.6	—	3.3
Department stores	4.6	4.8	—	2.2
Catalog showroom	10.2	5.4	2.6	1.3
Specialty stores	1.9	2.6	12.8	9.3
All others	24.9	23.0	24.3	14.4

Source: *Chain Store Age*/Leo J. Shapiro & Associates

Smoke detectors heat up sales

Smoke detector sales expectations for 1985 are higher than they were for 1984 notes *CSA*/Leo Shapiro & Associates data. Perhaps safety awareness will influence sales more than it previously has.

Two out of every 3 shoppers said they won't delay smoke detector purchases this year even if they have to curb family spending. Of the 42 categories tracked, child car seat (another safety device) was the only one that showed a greater need by consumers: 82.7% said they would not delay this purchase.

One out of three anticipates $125-$199

Anticipated price	1984	1983
$50 or less	1.0%	4.3%
$51-$99	5.4	0.8
$100-$124	11.6	12.0
$125-$149	11.3	10.4
$150-$199	22.7	24.2
$200-$299	23.2	19.7
$300 or more	6.8	6.2
No answer	18.0	2.2

Source: *Chain Store Age*/Leo Shapiro & Associates

But despite the demand for smoke detectors, prices continue to erode as consumers buy them on sale with more frequency. In this year's study, about 58% said they bought the safety device on sale.

Additionally, the average amount consumers expect to spend dropped from $26 reported in the '83 study to $21 this year. More specifically, 1 out of every 4 prospective purchasers in 1984 expects to pay between $10 and $12.

Similar to last year's findings, the majority (55.1%) wants to purchase a store or an advertised brand. Four out of 5 specifically request an advertised brand name. First Alert followed by Sears and General Electric remain the leaders.

The prospects for smoke detectors are more likely to have three or more children than are the customers for automatic garage door openers. Three out of 4 have at least a high school diploma while 67.3% earn more than $20,000. ☐

***Consumers are once** again buying 35mm cameras in favorable numbers.*

35mm camera sales ready to click

The 35mm camera is gradually rising out of its long sales slump, but the item remains among the most vulnerable products tracked by *CSA*/Shapiro and could be hurt by even a slight downturn in the economy.

After several years of delaying purchases of major photographic equipment, consumers are again buying 35mm cameras in favorable numbers. Slightly more than 7% of those surveyed said they bought a 35mm camera within the last year. That's nearly twice as many as indicated they would make such a purchase 12 months ago.

The outlook for this year seems even better. The number of consumers who say they plan to buy a 35mm camera within the next 12 months is 5.3% of those surveyed. That's the highest buying intention figure recorded for 35mms over the last four years.

This upturn in sales, however, remains contingent on the continued growth of the economy. Nearly 79% of those who say they plan to buy a 35mm camera will not do so if they find it necessary to cut family spending this year. That's 15% more than the number who said they would delay such a purchase last year.

Consumers who do follow through on their intention to buy a 35mm are likely to wait for the model of their choice to go on sale. Last year only about one-fourth of all 35mm cameras were bought at a store's regular price, the *CSA*/Shapiro study shows.

With the 35mm camera becoming such a highly promotional item, consumers expect to pay less for one than they did last year. The mean price consumers intend to dole out dropped $11 to $237 in this year's study.

This new activity on the low end of the market has already begun to manifest itself and is leading to radical shifts in market share among retailers. K mart's share jumped to 9.3% from 5.4% last year. Other discount stores did even better, doubling their market share to 14.4%. Sears and Ward also showed solid gains.

The downscaling, however, isn't about to lead to any great surge in store brand 35mm sales. Consumers are still searching for brand name goods in the category. Canon has the lion's share of the market. Nearly half of all consumers mentioned Canon as the brand they planned to look for when they go shopping for a 35mm camera this year. Minolta received mention from 12% of those who expect to purchase a 35mm camera this year.

Discounters develop sales

	35mm camera		Instant camera	
	'84	'85	'84	'85
Past purchase '84/might buy '85	7.1%	5.3%	7.7%	1.6%
K mart	9.3	2.8	14.2	16.8
Other discounters	14.4	13.0	19.7	14.6
Sears	6.2	2.0	5.3	7.1
Montgomery Ward	6.2	7.4	10.2	10.2
J. C. Penney	4.1	5.2	3.1	3.6
Department stores	4.1	8.2	5.5	6.2
Catalog showrooms	15.5	14.5	12.6	6.7
Specialty stores	29.9	33.9	12.6	23.0
All others	10.3	13.0	15.8	11.8

Source: *Chain Store Age*/Leo Shapiro & Associates

Autofocus potential largely untapped

Is the autofocus camera about to hit a sales slump just as it is emerging as an important part of the photo market? The *CSA*/Shapiro study suggests that unless manufacturers and retailers do a better job of transforming consumer interest in the product into actual sales, the autofocus may indeed lose its status as one of the few star performers in the otherwise unspectacular photo/camera category.

Many consumers would apparently like to own an autofocus camera but few are ready to go out and buy one in the near future. Only 1.9% of those surveyed say they will definitely buy an autofocus in the next 12 months. That compares with 7.8% who said they purchased

*H.S. grads top autofocus camera buyers**

Income	%	Occupation	%	Education	%
Under $10,000	16.3	Professional	12.2	11th grade or less	18.1
$10,000-$15,000	11.8	Manager	10.7	H.S. graduate	33.8
$15,001-$20,000	12.2	Craftsman	13.0	Some college	24.9
$20,001-$30,000	34.2	Operative	12.4	College graduate	17.3
Over $30,000	25.6	Retired	16.1	Post-graduate	3.6
Mean	23.4	Other/not answering	33.6	Not answering	2.3

*Chart measures percentage of consumers who indicate a high interest in autofocus cameras.
Source: *Chain Store Age*/Leo Shapiro and Associates

such a camera last year.

Standing behind this small group of committed purchasers is a large potential audience which needs some incentive from a retailer or manufacturer to place down some cash for an autofocus. Nearly 35% of those in the survey rate themselves as "very interested" in owning an autofocus. About 23% say they might purchase one in the coming year.

Perhaps part of the secret to developing this untapped market lies in better consumer education about the product, which is still relatively new to the market and apparently not well understood by many potential customers. Nearly half of those participating in the study didn't know such a product is in stores. And of those who did show at least a moderate degree of interest in the autofocus, 36% had no idea how much they would have to pay.

"When they see one in a store, consumers often tell us, 'I didn't know it could do all of those things,' " says Frank Dziabiak, photo buyer for G. C. Murphy.

Among those who do know how much they would like to pay for an autofocus camera, there is little consensus on price. Although the average price consumers expect an autofocus to be ticketed with is $277, about 22% are ready to spend more than $300 while 27% want to spend less than $150.

That split in the price expectations of potential customers accounts for the way the market is divided among trade classes. The strong upper end of the market is controlled by camera stores, mentioned by 18.6% of those who have a high interest in the autofocus, and specialty stores, which garnered a 34.4% share among this high interest group.

With a 12.5% share, discounters are battling the Sears/Penney/Ward group and catalog showrooms for the growing low and middle segments of the markets. The Big 3 nearly evenly divide up 13.7% of the market, while 7.7% of those who are likely to buy an autofocus mention a catalog showroom as their outlet of choice.

Who purchases autofocus cameras? Nearly 60% of those who express a great interest in the product earn more than $20,000 a year, with the greatest concentration falling between $20,000 and $30,000. These consumers are typically high school graduates (33.8%) or have some college (25.1%). Nearly 44% are between the ages of 25 and 39, although a significant segment, 11.5%, is over 65. ☐

No quick sales fix likely for instants

Hurt by the disc, low-end 35mm cameras and the generally sluggish nature of the photo industry, instant cameras continue to lose their appeal to consumers.

Only 1.6% of those surveyed by *CSA*/Shapiro said they plan to purchase an instant camera this year. That represents the lowest buying intention figure for instants in the last four years. Only one other item scored lower in this year's survey.

Almost all vital signs of economic health seem to be declining for instants. With low-end autofocus cameras as a price alternative, consumers say they aren't willing to shell out very much money for an instant camera which can't match the picture-taking quality of a 35mm model. Only 26.9% of those who plan to buy an instant camera intend to pay more than $50 for it. Last year 48.4% of potential buyers set their sights at the $50 or better mark for an instant camera.

With both retailers and manufacturers scrambling to keep inventory moving, the consumer is obviously being conditioned to buy the instant camera when it's on sale. Only 22.3% of those who purchased instants said they bought the product at full price.

If anything, consumers are likely to keep an even keener eye out for promotions this year. More than 45% of those who say they will buy an instant camera will choose the outlet based principally on price. Last year 40% of potential consumers listed price as their chief consideration in selecting a store for instants. In only three other product categories tracked was price as frequently mentioned as the key selling point.

Gross margins have sunk so low on instants that traditional outlets like discount and specialty stores have de-emphasized the item in favor of the rapidly growing, more profitable autofocus cameras. As a result, the instant camera business is now moving into low-end retailers like drug stores and supermarkets.

Discount stores still have the greatest share of the market, 33.9%, but they have lost several market points, principally to drug stores, which brought home 10.2% of the business last year.

Price key sales point for instants

Reason for shopping outlet for instant camera	% of shoppers
Price/discount	45.4%
Selection	6.2
Quality	8.9
Location/convenience	9.1
Satisfaction/past experience	5.3
Other/not answering	22.0

Source: *Chain Store Age*/Leo Shapiro & Associates

With instants generating so little overall interest, it's not surprising that few areas of the country will be especially good places to sell instants this year. Only one region, the South Atlantic, recorded high consumer interest in the category. The *CSA*/Shapiro study shows that retailers in the Mountain and East South Central states could have the biggest problem selling instants. ☐

***Quality and location** convenience have grown each year as low price decreased.*

Secondhand units gain share

Today's better-heeled typewriter customers are less brand-conscious and price motivated, but more concerned about quality than they were two years ago. In '82, 72.5% of shoppers looked for either an advertised or store brand compared to just 65.2% who shopped for brands this year.

Customers are also more value conscious today. Their reasons for shopping a store have changed. Today's consumer places an almost equal emphasis on quality (15.7%) and convenient location (15.6%) as on low prices (18.6%). Quality and location convenience have grown in importance each year as low prices decreased.

Prices increase over 3-yr. period

Anticipated price	1984	1983	1982
$99 or less	4.8%	4.7%	7.3%
$100-$149	6.4	9.2	10.1
$150-$199	11.9	11.3	8.6
$200-$299	23.8	28.7	33.5
$300-$399	20.7	16.2	8.0
$400-$499	6.0	4.9	2.0
$500-$699	3.1	6.2	2.6
$700 or more	10.1	5.5	8.9
No answer	13.2	13.3	19.0

Source: *Chain Store Age*/Leo Shapiro & Associates

Typewriters have become a staple of garage sales. Nearly 19% bought from private sellers in 1984, a steady rise from 14.8% last year and 11% in 1982.

But despite the rise in secondhand units, anticipated prices remain on the high side with customers expecting the average to be $328 this year. This compares to the average price in 1983 of $334 and in 1982 of $317.

Similar to prospective buyers of desk organizers and calculators, typewriter customers have family incomes in excess of $20,000. One in 3 say their chief breadwinner is either a professional or a manager. Moreover, this group is more likely to have children than consumers of the other home office products tracked. □

Features outweigh brand names

Professional and managerial customers are looking for certain features in printing calculators and are willing to pay a few dollars more to get them, suggests the *CSA*/Leo Shapiro & Associates study. This year's customers are less brand conscious than they were last year, perhaps concentrating more on the benefits of one machine vs. another. Approximately 45% want either the store brand or an advertised name compared with 63.8% who said they were shopping brands in 1983's survey.

1 in 5 expect $36-$50 price range

Anticipated price range	1984 %	1983 %
$20 or less	10.4%	9.4%
$21-$25	5.4	1.3
$26-$30	11.8	11.8
$31-$35	4.5	3.4
$36-$50	22.1	21.7
$51-$99	10.0	21.3
$100-$124	4.5	8.0
$125 and more	10.3	8.1
No answer	21.0	15.0

Source: *Chain Store Age*/Leo Shapiro & Associates

Additionally, the average anticipated price rose despite the majority (63%) shopping sales. This year the average is expected to be $78, an $11 increase over the figure reported last year.

Similar to the two other home office items tracked this year, low price is not the only factor swaying calculator consumers to shop a particular store. Almost as many consumers said they'd choose a store because of a past satisfactory experience (16.9%) as said low price (20.2%). This differs greatly from the '83 study in which 33.4% said price and another 6.7% said satisfaction.

The shift in shopping patterns reflects these new priorities. Nearly 38% will shop the Big 3 catalog chains and another 15.6% will shop discounters this year compared with 18.5% and 35.2%, respectively, who shopped these outlets last year. □

Adds to profitability

Retailers may be able to improve home office margins by adding desk-top organizers. This classification appears to be a blind item in terms of price and brand awareness, indicates the 1984 *Chain Store Age*/Leo Shapiro & Associates study.

Although the anticipated average pricetag was a realistic $19, 2 out of 5 shoppers polled said they had no idea as to price. Approximately 1 in 5 expect the price to range on the high side, between $21 and $50.

Additionally, 2 out of 3 have no brand preference of organizers. Of the 42 products tracked, only patio furniture had a higher per cent of shoppers not committed to a brand. Approximately 22% of the remaining 33.4% want a store brand and another 11.1% prefer a nationally advertised name (though most could not specify which one). ☐

Big 3 to be shopped for home/office

	Desk top organizer		Printing calculator		Typewriter	
	'84	'85	'84	'85	'84	'85
Past purchase '84/ might buy'85	2.8%	0.7%	6.8%	1.4%	4.0%	2.2%
K mart	7.0	20.7	9.6	12.2	4.4	1.2
Other discounters	23.3	6.0	22.2	3.5	5.5	10.2
Sears	7.0	5.2	6.2	14.6	14.3	27.8
Montgomery Ward	4.7	8.1	8.5	13.1	6.6	13.0
J. C. Penney	—	7.4	2.5	10.0	4.4	1.0
Department stores	2.3	1.7	6.2	9.7	6.6	8.7
Catalog showroom	—	7.7	21.0	9.5	14.3	10.2
Specialty stores	30.2	28.0	6.2	7.8	14.3	17.8
All others	25.5	15.2	18.5	19.6	29.6	10.1

Source: *Chain Store Age*/Leo J. Shapiro & Associates

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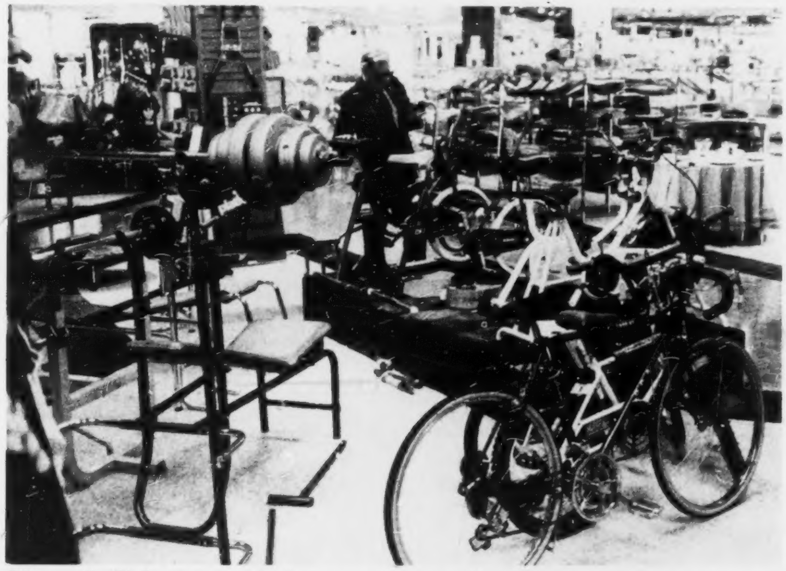

Fitness buffs have *created what seems an unending boom in exercise equipment.*

Fitness buffs spur home exercise

The exercise equipment market is in the midst of a boom which doesn't appear likely to abate soon, judging by the number of consumers who say they are working out regularly and plan to purchase some equipment in the next year to continue shaping up.

Last year was a banner one for exercise equipment, which racked up sales of $950 million. This year looks even more promising. The number of consumers who say they intend to buy exercise equipment in the next 12 months is twice as high as the number who said last year that they planned to make such a purchase. Nearly 6% of those surveyed think they'll buy some kind of exercise equipment within the year.

Behind the phenomenal sales growth of the category is the continued participation of a large segment of the population in regular exercise. Nearly 35% of those surveyed, in fact, said they'd exercised in the past week. That's encouraging news for retailers because the current exercise buff is the best potential customer. More than half of those who plan to purchase exercise equipment this year are already working out.

The most sought-after product remains the exercise bike, named by 2.7% of those surveyed as a product they intend to purchase. Two years ago the bike was also the most popular piece of equipment, but then only 1.3% of those surveyed were considering buying one.

Weights are next in popularity and are included on the shopping lists of 2.4% of those surveyed. But over the last two years weights have lost market share to newer, more complex items like home gym systems and electronic devices which measure blood pressure and other vital signs. Slightly more than 1% of those surveyed want to purchase a gym system, while 2.2% intend to buy some sort of electronic monitoring device.

In the past several years exercise equipment has not only brought retailers large volume gains but also healthy profit margins. Those margins, however, may soon shrink as more retailers look for a piece of this lucrative pie and competition increases.

Consumers are already showing themselves unwilling to spend top dollar for exercise equipment. Nearly 32% of those who intended to buy an exercise bike two years ago were willing to pay more than $100 for one. Now, only about 24% say they will go over the $100 mark.

The same downward trend is apparent in gym systems. Despite an abundance of systems which retail for about $300, most consumers want to pay less than $100 for a system. Two years ago only 37% believed they could pay that little for the item.

Whichever direction the market takes, Sears is likely to remain the dominant force in it. More than 23% of those who bought equipment last year shopped the chain, and 26.1% who intend to buy this year mention Sears. The retailer scores best on exercise weights, potentially capturing 27.3% of the business.

Department stores have also done surprisingly well in the category but may soon run into trouble if the market becomes more price-competitive. Department stores had 13.2% of the market last year, but only 7.3% of those surveyed this year said they would buy in a department store.

Discount stores are also losing significant share, perhaps because of the growing importance of specialized items like electronic monitors. Actual share for discounters dropped from 15.4% to 7.4%. ☐

Bike sales surge but outlook dim

Bike sales rebounded in 1983, hitting the $1.3 billion sales mark. But the resurgence may be short-lived, according to the *CSA/*

Who purchases exercise equipment

Income	%	Occupation	%	Education	%
Under $20,000	31.5	Professional	15.9	11th grade or less	9.7
$20,000-$30,000	28.7	Manager	11.4	H.S. graduate	33.2
$31,000-$40,000	17.1	Craftsman	12.6	Some college	24.5
Over $40,000	22.0	Operative	11.0	College graduate	20.1
Not answering	0.7	Retired	13.1	Post-graduate	10.8
Mean	$27,400	Other	36.0	Not answering	1.7

Source: *Chain Store Age*/Shapiro

Consumers eye high-end bikes	
Expect to pay	**% of Shoppers**
$50 or less	11.3%
$51-$99	16.5
$100-$124	20.4
$125-$149	4.4
$150-$199	14.8
$200-$299	15.2
$300-$399	6.6
$400-$499	2.5
Not answering	8.3

Source: *Chain Store Age*/Leo Shapiro & Associates

Shapiro study, which found that consumer demand in the category is already beginning to slowly recede.

First the good news. The number of consumers who said they purchased a bike last year rose 30% to 13.4% of all who were surveyed. Three times as many people bought a bike as said they might buy one in last year's survey, as indication that both manufacturers and retailers did a good job of spurring activity in the category.

Despite this bull market last year, the outlook for bikes is uncertain, in part, because much of the demand built up over the last several years was apparently satisfied in 1983. Only 4.1% of those surveyed said they plan to purchase a bike this year, down from 4.8% in last year's study and a high of 7.8% in the 1981 survey.

Consumers not only plan to purchase fewer bikes next year, but they plan to spend less on each bike. On average, consumers will pay $144 a bike, down from $153 last year.

The Big 3 have the most to gain in this otherwise flat market. More than one-third of those who intend to buy a bike this year mention either Sears, Penney or Ward as their outlet of choice. That is double the number who mentioned this group in last year's study.

Quality is a major factor in the category. More than 16% of those surveyed listed quality as the most important consideration when choosing an outlet to buy a bike, compared with just slightly more than 11% who named quality as the primary reason for choosing an outlet for bikes last year.

Upscaling pumps life into tennis

The *CSA*/Shapiro study clearly demonstrates why retailers remain pleased with the tennis racquet market despite flat unit sales last year. The average ticket in the category continues to rise and, despite higher prices, most consumers don't go shopping for discounts when they look for a tennis racquet.

Tennis racquets are among the least price sensitive products tracked. Only 4 out of 10 consumers who purchased a racquet last year bought it on sale. When asked which is the most important factor in choosing an outlet for tennis racquets, nearly as many consumers

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mentioned selection (20.6%) as price (25.3%).

The category, moreover, is not likely to become more price sensitive. The median income of a consumer who purchases a tennis racquet is about $30,000 a year, and this consumer is now looking for a better quality racquet. The number of potential customers who say they expect to pay more than $50 for a racquet increased three points in this year's survey to 25.9%. The percentage who will pay at least $100 to improve their court game in the next 12 months rose one full point to 9.6%.

Although this trading up will mean more dollar volume, unit sales are likely to remain flat over the next 12 months. Only 1.6% of those surveyed said they expect to purchase a racquet this year, down from 2.2% in last year's survey.

With unit volume holding steady, retailers are likely to battle fiercely for a piece of the existing pie. Large mass marketers have been positioning themselves for several years to take business from specialty retailers by beefing up the middle price points with fast-turning, name brand items. That strategy may pay off in spades this year for retailers as diverse as K mart and catalog showroom chains.

K mart improving market share

	Tennis racquet		Bicycle	
	'84	'85	'84	'85
Past purchase '84/might buy '85	3.3%	1.6%	13.4%	4.1%
K mart	4.3	11.0	4.6	3.2
Other discounters	12.0	9.6	12.4	7.8
Sears	6.5	6.4	15.0	15.8
Montgomery Ward	3.3	4.7	6.5	11.7
J. C. Penney	7.6	5.0	1.3	6.1
Department stores	2.2	1.0	2.6	3.3
Catalog showroom	3.3	9.7	3.9	2.0
Specialty stores	54.3	48.0	38.6	42.2
All others	6.5	4.6	15.1	7.9

Source: *Chain Store Age*/Leo J. Shapiro & Associates

"We've overhauled the assortment with regard to brand names and price points," says K mart senior buyer Wayne Sales.

K mart now carries more aluminum and graphite racquets in the popular mid- and over-size configurations, including some with price tags hovering around $100, and consumers are responding well to the change. K mart captured 4.3% of the market last year, but a surprising 11% of those who said they will buy a racquet this year mentioned K mart as their outlet of choice.

Catalog showrooms were named by 9.7% of those who intend to buy a racquet, a threefold gain over last year. Specialty stores, on the other hand, could lose several share points and see their piece of the market decline to less than 50% for the first time since the tennis boom started more than a decade ago. ☐

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***Selection and location** are two top considerations for consumers.*

Consumers shop selection

Selection (35.9%) and location convenience (22.1%) are the top two considerations for consumers buying instruction manuals, according to results of the 1984 *CSA*/Leo Shapiro & Associates study. Low price (11%) was a distant third. Moreover, of all the products tracked this year, sewing and craft items were the only others not showing price as the primary factor.

One explanation for this is that customers expect to find reasonably low prices for manuals regardless of which store they shop. Similar to last year' s findings, 1 out of 4 anticipate a price range of $4 to $7 while only 4.5% expect to spend more than $20.

Low anticipated prices also account for the high percentages of shoppers who bought the merchandise at regular price (57.8%) and of those who won't delay this purchase (53.9%). It was the only other category surveyed to have more consumers willing to pay full price.

Surprisingly, 3 out of 5 prospective shoppers have no brand preference, which suggests that they are looking for content more so than publishers. Still, 31.4% want an advertised name and the remainder want the store brand. Of all those specifying an advertised brand, Sunset was named the most.

Product specialty stores such as bookstores attract the largest market share with 33.1% having made purchases at these retailers. Additionally, mail order garners 25%; discounters, 9.7% and the Big 3 catalog chains, 8.1%. This, too, follows trends established in the '83 survey.

Specialists top booksellers

	Paperback Novels		DIY books or instruction manuals	
	'84	'85	'84	'85
Past purchase '84/might buy '85	12.7%	6.4%	12.7%	7.3%
K mart	8.0	7.1	6.5	4.1
Other discounters	11.4	14.6	3.2	4.2
Sears	—	—	4.0	3.7
Montgomery Ward	—	—	2.4	1.0
J. C. Penney	—	—	1.6	1.0
Department stores	1.1	1.3	1.6	1.8
Catalog showroom	—	—	1.6	—
Specialty stores	40.9	43.1	33.1	49.2
All others	38.6	42.9	46.0	35.0

Source: *Chain Store Age*/Leo J. Shapiro & Associates

Paying the price for romance

Romance novel shoppers don't mind paying full price for the merchandise as long as the stores they shop are in convenient locations. In the recent *CSA*/Leo Shapiro & Associates survey, almost as many consumers (25.9%) said they shop convenient locations as said they shop low prices (29.3%). But more importantly, 64% said they paid full price when they last bought a romance novel.

30-44 yr.-olds read romance

Demographics	Romance novel shoppers	Instruction manual shoppers
Age:		
29 or younger	28.6%	28.7%
30-44	40.8	39.7
45 or older	30.1	30.4
Family income:		
$20,000-$30,000	28.5%	32.6%
$30,000-$40,000	17.8	20.0
$40,000 or more	18.8	16.6
Chief breadwinners occupation:		
professional	13.1%	19.7%
manager	17.3	14.2
retired	14.6	14.0
Persons in household:		
2	27.4%	33.9%
3	27.4	23.8
Children:		
none	51.8%	52.0%
1	18.5	21.9
2	20.7	19.5
Education:		
high school graduate	34.5%	37.1%
some college	29.3	23.5
college graduate	18.8	17.8
post-graduate	8.7	13.7

Source: *Chain Store Age*/Leo Shapiro & Associates

In fact, 1 in 5 prospective buyers has no idea as to price. Another 54.1% of the shoppers realistically anticipate prices to be $3 or less and 18.5% expect them to be $4 to $5. This compares to 67.9% and 9.9% who thought the prices would be $3 or less and $4 to $5, respectively, last year.

Additionally, the reasonably low anticipated prices make this category the sixth least likely one to be put off out of all 42 products tracked this year. More than half of the shoppers won't delay this purchase should they curb spending, despite the 1 in 3 who say they would.

Lastly, customers want brands (49.7%), particularly the advertised ones such as Harlequin, Bantam and Avon. Still, this trend has subsided considerably—approximately 10 percentage points—since last year, perhaps due to the greater number of publishers now available. ☐

More younger consumers are shopping for patterns this year than in '83.

Sewing means sales to specialists

While specialty stores continue to grab market share points for sewing patterns and hold onto about half of the market points for craft kits, Sears is the undisputed sales leader for sewing machines, according to the 1984 *CSA*/Leo Shapiro & Associates study.

In three years of tracking consumer buying intentions for sewing patterns, specialty stores have continued to make steady gains. While 63.9% of consumers polled who purchased a pattern in '82 did so at a specialty store, a whopping 73.7% made their pattern selections at specialists during '84. Consumers still cite selection as the primary motivating factor in choosing where to shop for patterns.

Due to the low price point involved ($3 is the median), patterns are not particularly vulnerable to downswings in the economy. In fact, sales often improve during recessionary times.

Industry sources, however, say that pattern unit volume is down. While patterns have one of the highest incidences of past year and prospective purchases of the products tracked in the study, there has been a steady decline in consumers who are actively shopping the market since '82.

If the three year trend continues during the next 12 months, retailers can expect unit sales to decrease slightly from last year's levels to only the volume reached in '82.

Brands are important to shoppers with 41.6% of consumers saying Simplicity is their choice while another 22.5% pick McCall's. Only 20% have no brand preference.

On a more positive note, the study indicates that more younger consumers are shopping for patterns. While 25.5% of consumers who said they had bought or might buy a pattern in '82 were under 30 (this dropped to an alarming 19.2% in '83), the number improves to 30% in this year's study.

Sewing/crafts a specialty biz

	Sewing machine		Sewing patterns		Craft kits	
	'84	'85	'84	'85	'84	'85
Past purchase '84/ might buy '85	2.4%	2.2%	16.9%	8.4%	15.6%	7.8%
K mart	—	1.8	1.7	1.9	14.0	12.4
Other discounters	—	1.9	11.0	10.1	12.0	18.0
Sears	37.9	46.2	1.0	2.3	1.0	3.6
Montgomery Ward	6.1	10.4	3.4	3.8	—	—
J. C. Penney	1.5	3.8	1.0	1.7	—	—
Department stores	1.5	3.6	3.4	1.0	5.0	7.7
Catalog showroom	4.5	—	—	—	—	—
Specialty stores	28.8	28.6	73.7	72.9	53.0	49.4
All others	19.7	3.7	4.8	6.3	15.0	8.9

Source: *Chain Store Age*/Leo J. Shapiro & Associates

Quality is most important in deciding where to buy a sewing machine

Reason to buy	%
Other/not answering	30.3
Quality	19.8
Price/discount	12.7
Satisfaction/past experience	10.2
Have an account there	9.9
Service/repair/guarantee	7.1
Selection	7.0
Location/convenience	3.0

Source: *Chain Store Age*/Leo Shapiro & Associates

Name brands are not as important to craft kit buyers (the category includes latch hook, needlepoint or plastic models) with 47.8% having no brand preference. Only 17.5% have no store preference with over half of purchases made this year at specialty stores.

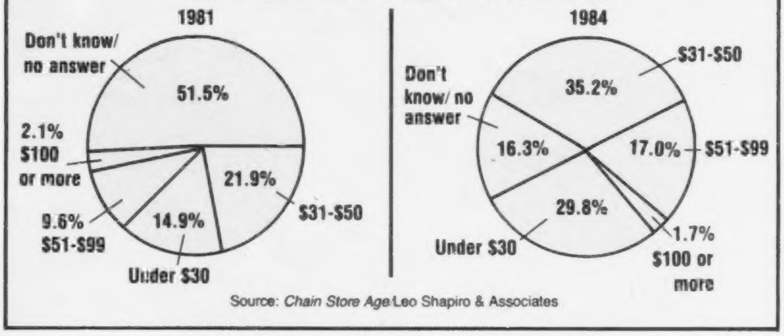
Sears means sewing machines: While 4 out of 10 shoppers polled mention Singer as their first choice (38.1% mention a store brand), Sears is the No. 1 retailer cited as the store where a sewing machine was last purchased or where consumers might buy in the coming year.

But specialty stores are doing well, capturing about 28% of both past and future sales. Since many of these stores carry Singer products, they may be able to make in-roads into Sears' market share for this high ticket item.

Sewing machine shoppers are very emphatic about what brand they want with the most popular price point being $200 to $299. Six out of 10 consumers say they bought their last machine on sale.

Despite the money saving advantages of sewing, 61.9% of consumers polled say they would delay buying a machine if they had to curb spending next year. Six out of 10 would delay purchasing a craft kit even though the median price expected to pay is just $10. ☐

Price expectations dip in three years



Source: *Chain Store Age*/Leo Shapiro & Associates

Sears, Penney grab business

In the wake of department stores cutting back ready-made curtain and drapery assortments in favor of custom designs, moderate- and low-margin chains expected to pick up some of this business. Although discounters have been beefing up curtain offerings (Bradlees, for one, is expanding its Window Ways department from two gondola runs to three), Sears and Penney appear to be the biggest beneficiaries of the department store dropout.

Half of all potential curtain customers surveyed in the *CSA*/Leo Shapiro & Associates study plan to shop at the Big 3. Nearly 27% plan to just shop at Sears. Discounters, however, still command nearly one-fourth of this market.

Price alone is not what attracts curtain customers. While it is the single most important factor in determining where they shop—one-third choose a store for its prices—selection and quality, combined, are equally as important.

Less than half the number of customers who bought curtains last year say they might make a purchase this year. This may indicate shoppers' interest is in alternative window treatments. Curtains alone are no longer sufficient for retailers. "If you're in the business of covering windows, you better be in all the viable businesses," says Carl White, dmm/home fashions at Hayward, Calif.-based Mervyn's. That means curtains and draperies, plus mini blinds, vertical blinds, pleated shades and rollups. ☐

Sears leads domestics

	Ready made Curtains		Electric Blanket	
Past Purchase '84/ Might buy '84	'84	'85	'84	'85
Outlet	14.3%	6.8%	5.6%	2.2%
K mart	11.5	10.5	5.1	3.5
Other discounters	14.2	11.6	10.3	8.9
Sears	20.4	26.9	31.6	31.0
Montgomery Ward	5.3	4.5	12.8	17.6
J. C. Penney	15.9	18.6	13.7	16.1
Department stores	17.7	16.7	13.7	13.4
Catalog showroom	—	—	1.7	1.7
Specialty stores	10.6	10.0	1.0	2.4
All others	4.4	1.2	10.1	5.4

Source: *Chain Store Age*/Leo J. Shapiro & Associates

Electric blanket market stable

The market for electric blankets has scarcely changed since it was first tracked by *CSA*/Leo Shapiro & Associates in 1981. Then as now, only about 1 out of 20 customers bought the item in the preceding year, and only about 1 in 40 is considering buying an electric blanket in the coming year.

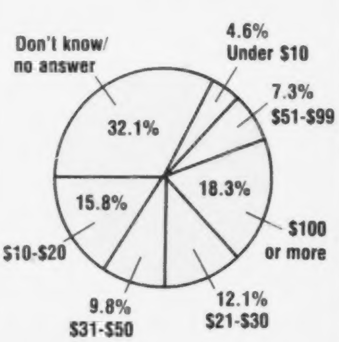
Shoppers are, however, more price savvy. Half of the '81 consumers did not know how much they expected to pay for the item. In '84, only one-sixth was unsure of price. And these smart shoppers expected to pay a lot less than those studied in '81.

Nearly 3 of 10 shoppers in '84 would spend less than $30 on an electric blanket, compared with only 14.9% of '81 shoppers. Two-thirds of the current customers also bought the item on sale; the market was not as promotional three years ago. On the plus side for retailers, nearly 2 out of 10 shoppers are prepared to pay between $51 and $99 for an electric blanket, an increase over '81.

Although they plan on spending less than in the past, customers appear to be shopping discounters less frequently. In '81, more than one-fourth of the potential shoppers planned to buy the item at a discounter; today, only 12% do. More shoppers wll be heading for the Big 3, with almost two-thirds of all potential electric blanket customers planning to shop at either Sears, Penney or Ward. Ward has picked up market share, so that it now equals Penney, but is still trailing Sears as the store to shop.

The growth of electric mattress pads does not appear to have cut into blanket sales. Customers apparently are still afraid of dealing with electricity in a pad rather than a blanket. When one East Coast discount chain had a banner season for electric blankets, they "couldn't even give the pad away," says the domestics mm for the chain. ☐

Nearly one-third don't know how much they'll pay



Source: *Chain Store Age*/ Leo Shapiro & Associates

***Infant car seats** remain steady in the light of current state laws.*

Kiddie car seats: It's the law

Sales should remain steady this year for infant car safety seats, thanks to the current baby boom and to state laws which require the seats for all infants and toddlers. Forty-seven states have infant car seat laws on the books, with Louisiana soon to follow suit. Louisiana will be the seventh state to adopt the safety law to date in '84.

Only two states do not require the seats: Wyoming, which introduced the measure and failed to pass it, and Texas, which is unlikely to meet on the matter this year.

Sales will stabilize by year end. Last year, 6% of the shoppers surveyed in the *CSA*/Leo J. Shapiro & Associates survey bought infant car seats. This year, only 1.7% indicated that they might buy the item. Many parents may already have the seats, regardless of whether state law required it.

Obviously, the best customer for this product is the new family, with one child under 3 years of age. However, larger families also show a high potential for buying, perhaps because they did not buy safety seats for their firstborns, or due to replacement needs.

This is not a purchase that can be put off. More than 8 in 10 shoppers would not delay buying an infant car seat. More than half indicated a brand preference, most frequently naming Strollee, Century, Questor and Cosco. About half of all shoppers buy the item on sale, with slightly less buying at regular price. The most popular price points fall between $36-$50.

Of those shoppers who indicated an interest in buying the product, catalog showrooms showed the best potential for sales. With price the most important factor in determining where to shop, nearly one-third of the potential buyers planned to shop at the catalog showroom chains, where sale prices are consistently lower than either discounters or Sears, Penney and Ward. Almost another third of interested shoppers would head for the Big 3. ☐

Males may boost moisturizers

Will Dick Clark give moisturizers respectability with men the way Jim Palmer did with fashion underwear? Clark's line of men's skin products, including facial moisturizer, may help breach this final frontier.

Retailers will need those male shoppers. Only 12.1% of shoppers surveyed said they plan to buy moisturizer in the next year, down from 19% in '82. Of those surveyed for the *CSA*/Leo Shapiro & Associates study, 26% of those who indicated they might buy moisturizer in the next year were men.

Also clouding the picture is the fact that shoppers intend to spend less on moisturizer than in the past. In '83, shoppers expected to pay $5 on average; in '84, only $4.

Despite this interest in low-end facial moisturizers, neither discounters nor the Big 3 look to pick up any more business. Since consumers indicated that location and

Dept./specialty stores top outlets

	Luggage		Watch		Facial Moisturizer		Child's Car seat	
	'84	'85	'84	'85	'84	'85	'84	'85
Past purchase '84/ Might buy '85	9.7%	2.2%	30.2%	5.5%	27.5%	12.1%	6.0%	1.7%
K mart	2.8	3.2	11.0	7.5	3.7	3.6	3.5	6.7
Other discounters	7.6	13.7	12.2	17.4	8.1	7.0	20.9	14.2
Sears	9.7	15.0	4.5	6.3	1.0	1.0	19.8	21.4
Montgomery Ward	5.5	9.8	6.5	7.2	1.5	—	5.8	5.8
J. C. Penney	13.1	8.4	3.4	3.0	1.0	—	9.3	3.2
Department stores	16.6	28.7	11.0	10.2	20.0	22.6	1.2	6.4
Catalog showroom	13.1	7.7	9.1	20.0	1.0	—	11.6	31.8
Specialty stores	19.3	11.2	22.7	19.8	5.9	7.1	16.3	5.0
All others	12.3	2.3	19.6	8.6	57.8	58.7	11.6	5.5

Source: *Chain Store Age*/Leo J. Shapiro & Associates

Majority of specified brands fall into low-end

Oil of Olay	16.9%
Clinique	6.0
Revlon	5.2
Estee Lauder	3.8
Ponds	2.9
Noxzema	2.9
Aloe Vera	2.2
Almay	1.5
Store brand	30.2
No brand preference	28.4

Source: *Chain Store Age*/Leo J. Shapiro & Associates

convenience of stores, combined, were as important as good prices (25.5% shopped for price, 22.8% for location/convenience), it would be reasonable to expect that discounters, especially, would be more readily shopped.

That's not the case. Both drug stores and department stores, the leading outlets for shoppers in '83 continued to pick up market share in '84, each with about one-quarter of potential shoppers. Discounters would only be shopped by 1 in 10 shoppers in '84. ☐

Luggage sales rise along with travel

With the improvement in the economic picture and the favorable position of the dollar abroad, Americans are traveling once again. According to the U.S. Travel and Tourism Administration, about 5% more Americans will go abroad this year than in '83.

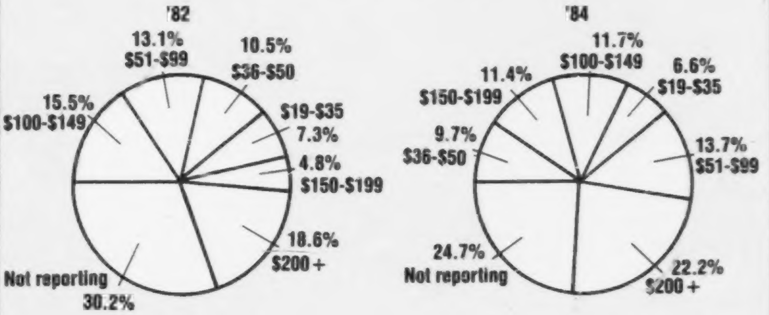
Shoppers who once postponed buying luggage are now inclined to make a purchase. In the 1981 *CSA*/Leo Shapiro survey, only 21.1% of those interviewed did not plan to delay buying luggage. This year, 38% will not delay.

Demand for brands is up slightly over the past two years. Still, more than half of the shoppers interviewed plan to buy an advertised brand.

Although consumers are still price-conscious—almost one-third say price is the determining factor in where they shop for luggage, and half of all purchases are made on sale—this shopper is willing to spend more on luggage than in previous years. The mean price consumers expect to pay for luggage in '84 is $164, compared to $159 in '81. In '82, more shoppers paid only $100-$149 for luggage than in '84. More shoppers are more apt to spend $150-$199, or $200 or more, than in the past. There's also been a dropoff in under $50 price points, according to the survey.

Shoppers most likely to make a luggage purchase this year include those in managerial, sales or military occupations, those with incomes over $30,000, and college or graduate degrees. This customer is also getting older. Two years ago, shoppers aged 20-24 were most likely to buy luggage. In '84, the 40-44-year-old group held the highest potential for luggage sales. ☐

Shoppers willing to pay more than in past



Source: *Chain Store Age*/Leo Shapiro & Associates

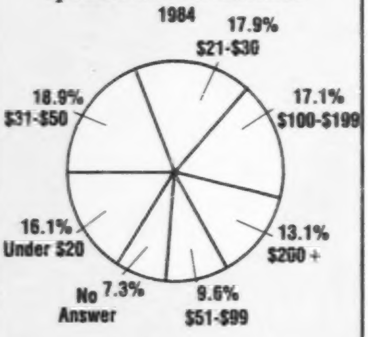
Shoppers plan watch purchases

Consumers are more carefully planning watch purchases this year and relying less on impulse, the *CSA*/Leo Shapiro & Associates survey shows.

Although watch purchasers are still highly price conscious—more than half bought their last watch on sale—they plan to spend more.

More shoppers in the '84 survey planned to spend $31-$50 or over $200 on their next watch, and fewer would spend less than $30 than in '83. Casio and Seiko look to pick up more business in the coming year, while Bulova and Timex were less likely to be purchased in '84 than in '83.

Shoppers planning to spend more on watches



Source: *Chain Store Age*
Leo Shapiro & Associates

This shift toward higher price points and away from traditional brands may be because this year's most likely shoppers tend to be young—under 29—and affluent, earning more than $40,000 annually.

Although discounters still hold 18.6% as the place to go to purchase a watch, they appear to be losing business to the catalog chains and catalog showrooms. One-fourth of all potential shoppers plan to buy a watch at a discounter, but another 20% apiece plan to make a purchase at either a jewelry store (indicating a loss of 10% from '83) or a catalog showroom (an increase). Nearly that many also plan to visit Sears, Penney or Ward, with Ward in particular gaining market share. ☐

Jeans shoppers of today *are older than those in previous years.*

Jeans losing fashion status

Is the great American love affair with blue jeans on the wane? It would appear so from the most recent *CSA*/Leo Shapiro & Associates survey.

Not that shoppers aren't buying jeans. Expectations seem to have changed, with consumers viewing jeans as a basic item, rather than a must-have, fashion look.

More shoppers, both male and female, plan to buy jeans in the coming year than did those surveyed in '81. In '81, only half of all shoppers planned to buy jeans; today, it's nearly two-thirds. But more '84 shoppers indicate they would delay buying jeans than did those in '81.

Where customers shop also indicates they are looking for basics. Price is the most important reason for shopping a particular outlet, with more than 4 of 10 customers giving this as a reason. For women, selection trails quality as a reason to shop. Selection is slightly more important to men, but even here runs a poor second to price.

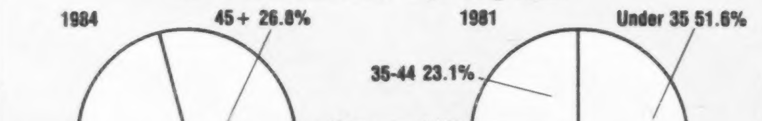
Shoppers plan to spend less on jeans in '84. More women will be paying less than $20 for jeans, while somewhat more will pay $20-$29.99 and $30-$39.99 than in '81. Nearly two-thirds of female shoppers plan to pay less than $20 for jeans in '84, a full $2 less than in the '81 survey.

Not surprisingly, shoppers are moving away from department and specialty stores toward the catalog chains and discounters. Back in '81, the largest percentage of men, over 30%, planned to shop at a specialty store. That group will now be heading for a discounter. So will women, who were partial to specialty stores and department stores in '81, each with about 30% market share then. Thirty-five per cent of '84 women plan to shop a discounter for jeans; another one-fourth will still go to a department store.

Although the catalog chains are the No. 2 choice for men in '84, fewer women plan to shop there in '84. This is especially true of Sears, which gained favor with men but lost female customers.

The current jeans shopper is getting older. In the '81 study, more than half of all jeans buyers were under 35. In the '84 survey, that percentage dropped back to 45.8%, while the percentage of 35-39-year-olds and the 55+ group indicate more interest in jeans. ☐

The jeans customer is getting older

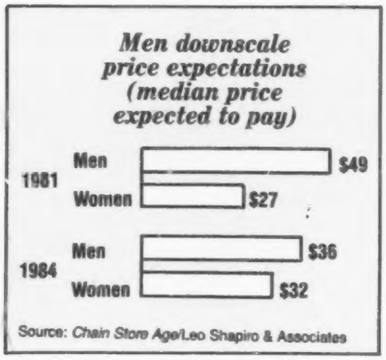


Source: *Chain Store Age*/Leo Shapiro & Associates

Is activewear nearing a peak?

The percentage of shoppers looking for activewear—matching pants and top—has doubled since the 1981 *CSA*/Leo Shapiro & Associates study. This follows right along with the market trend, as activewear sales have also doubled in the same period, jumping from $5 billion in '81 to an estimated $10 billion in '84.

But signs are that the category may be nearing a peak, especially



Men downscale price expectations (median price expected to pay)

Source: *Chain Store Age*/Leo Shapiro & Associates

for men. In '81, 4 in 10 male shoppers said they'd delay buying an activewear outfit if they were to curtail spending. In the most recent survey, 65.2% of male shoppers were prepared to postpone buying.

Women have remained more consistent. Nearly two-thirds thought they could postpone buying activewear in '84, the same as in '81. Last year, only a little over one-half were willing to postpone buying activewear.

The activewear shopper is no longer the young and trendy but the older and more sedentary customer. In 1981, nearly half of all potential customers fell into the 20-35 age group. This year, only 42.9% are that age. The percentage of customers in the 55-and-over age range, however, has more than tripled since '81.

Male shopper's expectations of what they want in activewear have changed. Back in '81, men thought they'd pay $22 more than women. Women have upped the amount they are willing to pay, to $32, which is more consistent with the $36 men say they'll pay.

This lower price range means more men will be shopping at discounters and Sears, Penney and Ward. In the '81 study, men were most interested in shopping at department stores.

Women plan to shop department stores primarily in '84, followed by discount stores. Both types of outlets gained market share among women. The losers in this battle are the catalog chains. Only Penney looks to pick up more female activewear customers. K mart, however, has increased market share considerably among both men and women over the '81 survey. ☐

Men seek better athletic shoes

When it comes to choosing athletic shoes, men are fussier than women—and the difference is becoming more pronounced. In the 1981 *CSA*/Leo Shapiro & Associates survey, both men and women expected to pay about the same amount for athletic shoes—women an average of $25, men $26 on average. In the most recent survey, there was a full $2 difference between the average price women and men expected to pay. Women again anticipated that they would be spending less: $23, compared to the $25 men were willing to spend.

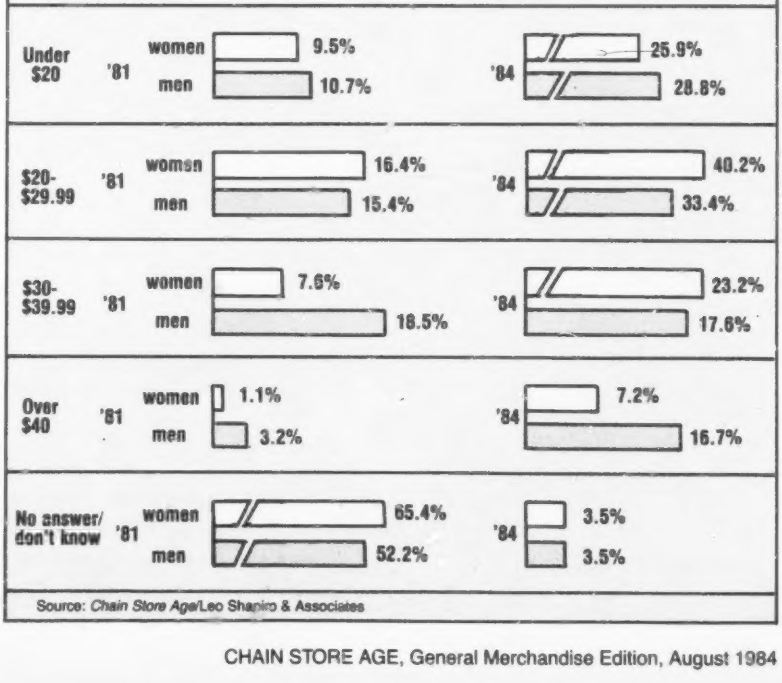
Women continue to be split between shopping the more expensive outlets for athletic shoes, including department and specialty stores, and low-end outlets like discounters and off-price chains. About one-quarter said they expected to buy their next pair of athletic shoes at a specialty store; almost another one-quarter would go to a discounter. One-eighth would head for a department store. In the '81 survey, the Big 3 catalog chains were the most popular outlets for athletic shoes for women.

In contrast, Sears, Penney and Ward were low on male shoppers' lists back in '81, but in the most recent survey had picked up market share. The most popular outlets for men today are discounters, sporting goods chains and shoe specialty stores. Fewer men planned to go to discounters and sporting goods stores than in the '81 study.

While almost half the shoppers surveyed in '84 planned to buy athletic shoes in the coming year—almost twice the number who intended to buy in '81—they are also more willing to postpone purchases. In '81, 41% of the men said they would delay buying; in the most recent survey that percentage rises to 46.3%. In '81, 46.8% of the women surveyed said they would postpone buying; in '84 more than half were willing to delay purchases.

Today's shopper is older. More shoppers in the 35 and older age group intend to buy athletic shoes in the next year than in the '81 survey, and this is especially true of shoppers over 55. More than twice as many shoppers over 55 plan to buy athletic shoes. However, the majority of shoppers still falls within the 25-39 group. In '81, 57.8% of the potential shoppers were aged 25-39; in the '84 study, it's 57.3%. ☐

Shoppers more aware of athletic shoe prices



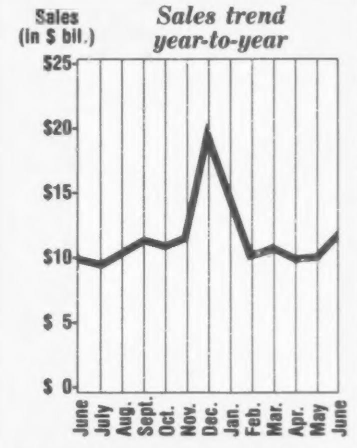
Source: *Chain Store Age*/Leo Shapiro & Associates

Spending spree starts summer

Continued strong consumer spending boosted June sales 11.4% for the 25 chains tracked by *CSA*. Sales for the five month fiscal year gained 12.1%.

Though volume for the as yet unfinished second quarter stands slightly behind the brisk pace of the first three months, the emerging results are notable, since they compare favorably with strong post-recession figures of a year ago.

Among the Big 3 catalog chains, Penney posted a 17% monthly increase and a 15.2% store-for-store gain. Seasonal merchandise, especially women's men's and children's sportswear, athletic apparel and traditionally June promoted bedding and bath merchandise set the sales pace.



Composite of sales trends showing month-to-month sales volume for the 25 retail companies tracked by *CSA*.

Sears, the nation's largest retailer, also showed the greatest dollar volume hike with a 7.5% monthly gain to $2.5 billion. Ward slowed significantly from its first quarter pace, showing a 9.6% June rise and an 11.8% year-to-date jump.

Department stores continue to show broad strength. Carter Hawley Hale, having limited its attempted takeover, saw sales rise 21.1%. Associated Dry Goods still leads for the fiscal year with a 20.7% sales increase, but posted a lower 11.2% June hike. ADG's discount stores, including Loehmann's off-price apparel stores, outpaced the department store division, showing a 14.5% jump.

Mercantile lags behind the other department stores with a 6.9% June sales increase and a year-to-date rise of 8.2%. Comparable store results were up 9.8% for the month and 11.2% for the year.

Wal-Mart's sales charge pushed on unabated in June with dollar volume jumping 43.8%. Braintree, Mass.-based Bradlees once again pulled in second with a 25.2% increase.

Radio Shack operator Tandy posted the month's only sales drop, showing a 0.1% decrease from last year's totals. Tandy chairman/ceo John V. Roach cited product shortages and increased price competition for microcomputers as reasons for the disappointing results.

June sales start summer strong

		June sales*		Stores		5-mo. sales		
Major chains	% change	1984	1983	1984	1983	1984	1983	% change
Sears[1,6]	+ 7.5	2,521,740	2,345,454	884	894	10,263,256	9,605,466	+ 6.8
Penney	+ 17.0	1,106,000	945,000	2,012	2,037	4,477,000	3,807,000	+ 17.6
Ward[1]	+ 9.6	595,337	543,224	367	376	2,450,601	2,191,402	+ 11.8
Federated[5]	+ 12.1	690,200	615,900	N/A	N/A	2,929,700	2,617,200	+ 11.9
Dayton Hudson	+ 14.6	698,293	609,382	1,103	1,034	2,832,656	2,426,064	+ 16.8
May Dept. Stores	+ 12.0	408,200	364,600	1,645	1,509	1,720,000	1,510,000	+ 13.9
R. H. Macy	+ 15.1	388,700	337,800	93	92	1,602,100	1,385,000	+ 15.7
Allied Stores	+ 10.2	347,100	315,100	582	549	1,495,100	1,354,900	+ 10.4
Carter Hawley Hale	+ 21.1	331,100	273,400	252	234	1,363,800	1,130,900	+ 20.6
Associated Dry Goods	+ 11.2	379,800	341,700	325	319	1,508,000	1,249,000	+ 20.7
Mercantile	+ 6.9	123,355	115,411	78	85	605,010	559,143	+ 8.2
K mart	+ 6.3	1,958,585	1,842,386	2,158	2,134	7,745,399	7,243,403	+ 6.9
Woolworth	+ 5.3	526,434	500,131	N/A	N/A	2,161,322	2,036,392	+ 6.1
Wal-Mart	+ 43.8	525,000	365,000	681	587	2,262,000	1,582,000	+ 43.0
Household Merch.[2,3]	+ 3.8	508,883	490,088	3,758	3,899	2,203,641	2,148,617	+ 2.6
T.G. & Y.	+ 22.9	185,842	151,158	771	860	810,891	762,086	+ 6.4
Zayre[4]	+ 19.3	284,563	238,515	787	671	1,146,931	944,803	+ 21.4
Bradlees	+ 25.2	129,000	103,000	128	112	492,000	377,000	+ 30.5
Murphy	+ 9.0	85,827	78,754	395	416	352,585	332,461	+ 6.0
Rose's	+ 12.7	69,114	61,339	191	244	348,092	299,228	+ 16.3
Heck's	+ 8.7	46,100	42,400	122	120	178,000	167,500	+ 6.3
Jamesway	+ 6.9	47,069	44,032	79	75	168,801	150,190	+ 12.4
Melville	+ 22.7	406,002	330,811	5,674	5,611	1,681,406	1,416,594	+ 18.7
Tandy	− 0.1	201,588	203,604	N/A	N/A	1,033,795	979,137	+ 5.6
Edison Bros.	+ 4.5	98,300	94,100	N/A	N/A	442,577	410,681	+ 7.8
The Gap	+ 16.9	42,200	36,100	575	554	171,800	151,500	+ 13.4
Totals & Averages	**+ 11.4**	**12,518,490**	**11,237,231**	—	—	**51,635,572**	**46,075,781**	**+ 12.1**

*000 omitted. N.C. = no change. N/A = not available.

[1] Store number for full-line outlets only. [2] Includes 2,775 franchise stores (vs. 2,827 a year ago). [3] Includes Von's and T.G. & Y. sales. [4] Includes 276 Zayre stores (vs. 267 a year ago), 376 Hit or Miss stores (vs. 303) and 135 T. J. Maxx stores (vs. 101). [5] Excludes supermarket sales. [6] Includes results from Sears Canada.

Penney, Bradlees to accept Am Ex

J. C. Penney and Bradlees, both attempting to bolster their image as department stores, have each announced plans to accept the American Express card for credit purchases.

Penney rolled out the new credit agreement at a handful of locations in June and plans to expand the program to all its United States retail and catalog operations by fall. Penney chairman William R. Howell said he expects to attract customers who shop with American Express that do not presently shop J. C. Penney stores.

Braintree, Mass.-based Bradlees tested American Express at its Washington, D.C. area outlets earlier this year and has begun to phase in the program chainwide.

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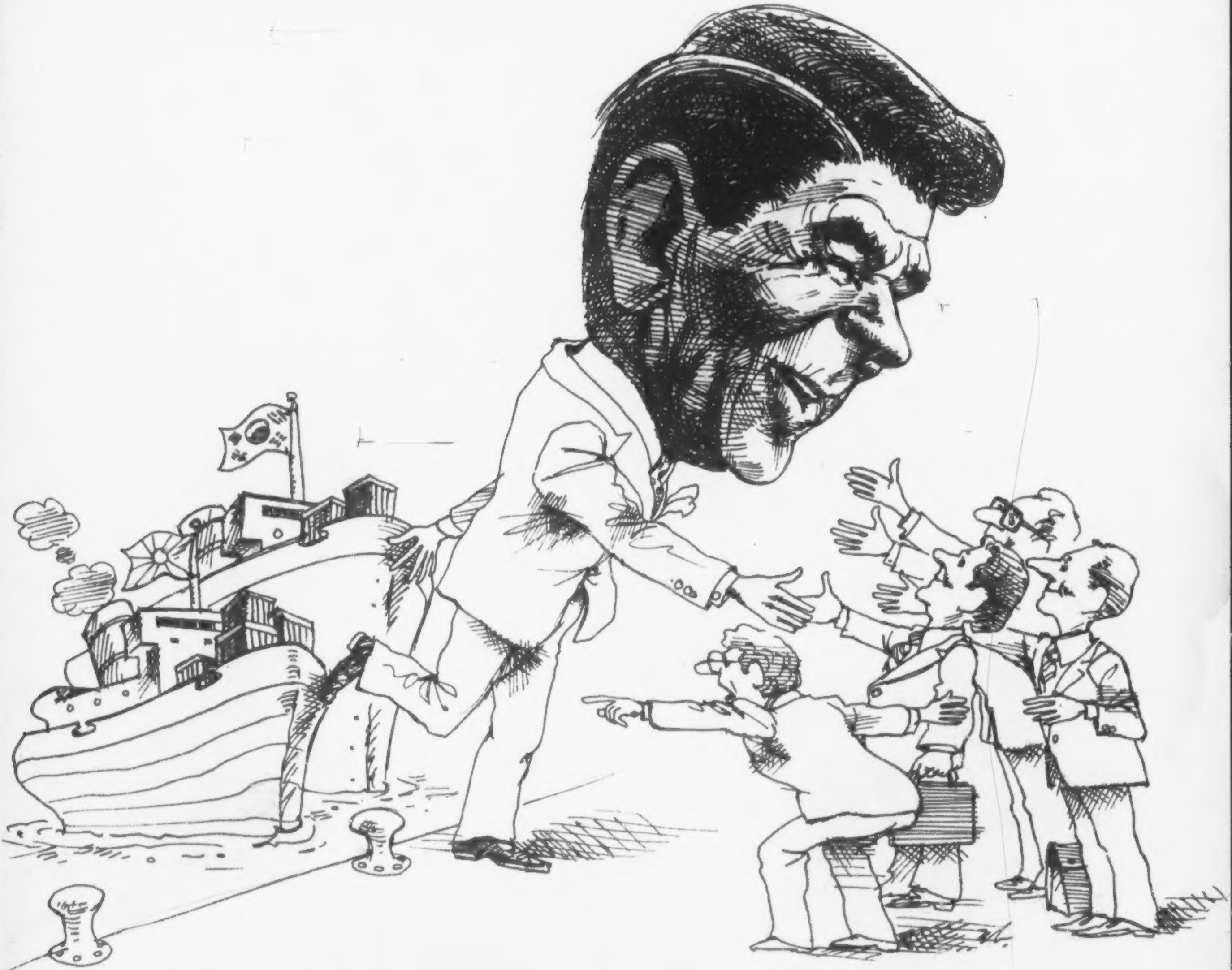
Licensing: Saturday's morning war

Circuit City shines in consumer electronics

Chain Store Age

GENERAL MERCHANDISE EDITION September 1984

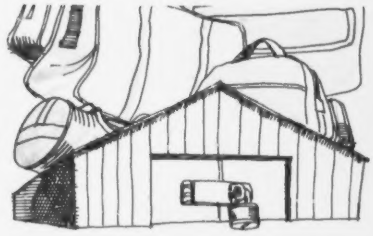


Retailing's friend or foe?

CEO's rate Reagan

TWO DOLLARS PER ISSUE

IN THIS ISSUE



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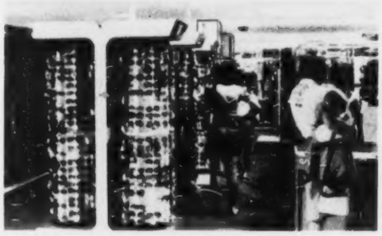

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Is Reagan good for retailing?

Last January, shortly after President Reagan acted to curtail textile imports, *The Wall Street Journal* reported that the move made political senses to Administration members because antiprotectionist forces, "such as retailers, simply don't have much [political] power."

Over the last three-and-a-half years the Reagan Administration has often seemed to operate on the assumption that retailers are fragmented as a group, that they don't wield much power in Washington or represent a significant constituency across America.

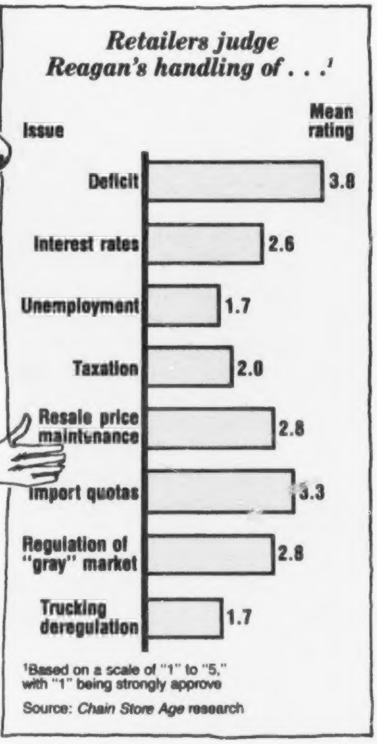
From severe quota restrictions to the resurrection of resale price maintenance, from curtailment of industrial development bond use to proposed regulation of parallel imports, the Administration's position has frequently appeared at odds with the best interests of retailers.

But in those three and a half years Ronald Reagan has also presided over a dramatic economic recovery which has proved a boon for most merchants. Inflation and unemployment are down. Consumers are spending enthusiastically and, as a result, profits have burgeoned.

Two months before America heads to the polling booth, the issue facing retailers is this: Has the Reagan Administration been good for their industry? Is Ronald Reagan retailing's friend or foe?

To find out what the industry thinks of the Reagan Presidency, *Chain Store Age* interviewed retailers and trade association executives who have been close to the key issues. In addition, *CSA* mailed surveys to chief executive officers at 270 of the largest general merchandise chains. Of that group 75, or 27.7% of the sample, responded.

Taming inflation: When asked to judge Ronald Reagan's Presidency, most retailers speak first not about his position on special interest issues but about his handling of the economy. And here the President gets high marks.



***Retailers judge Reagan's handling of . . .*[1]**

[1]Based on a scale of "1" to "5," with "1" being strongly approve

Source: *Chain Store Age research*

"He brought the inflation rate down, and that's been his most important contribution," says the president of a $150 million Midwestern discount chain. "He's helped get Government out of business. That's encouraged a free market."

Reagan Administration has managed to be both a help and a hinderance to the retailing industry

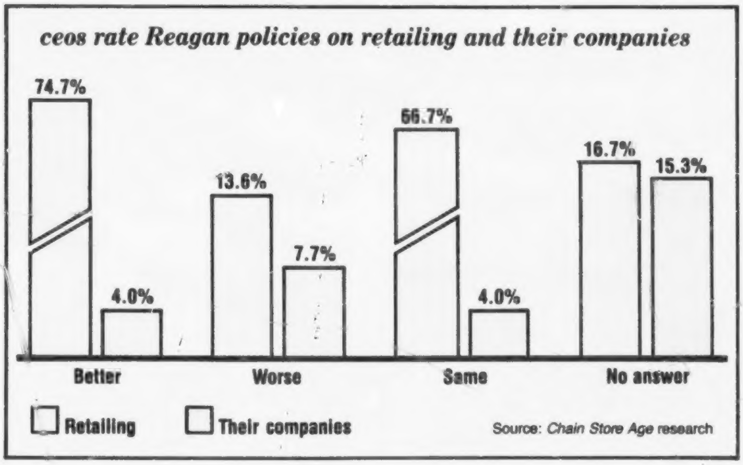
When Reagan took office in 1980, inflation was running in double digits. For 1984, the rate is hovering around 5%. Although some economists believe inflation simply burned itself out and may soon return, retailers are more inclined to believe the President helped whip the problem.

"I agree there has been a cyclic pattern to inflation, but I don't think President Reagan should be deprived of some of the credit for reducing it," says Howard Hayes, president of Spurgeon Mercantile, the variety store chain.

Retailers also feel that the President's tax cuts for both individuals and corporations have had much to do with the current economic prosperity. In a *CSA* poll of ceos at the nation's largest general merchandise chains, 78% of the respondents supported the President's position on taxation. Only 11.3% disapproved of his tax policy.

"Through his tax cuts the Presi-

CEOs vote 'yes' on 2nd Reagan term


ceos rate Reagan policies on retailing and their companies

Source: *Chain Store Age* research

Four years in office have not significantly eroded Ronald Reagan's support among the nation's top retailers. Responding to a *Chain Store Age* survey, 88% of the chief executive officers of major general merchandise chains say they plan to back the President for re-election, compared with 96% who voted for him in 1980.

The President's support falls into two broad groups, according to the survey, which garnered responses from ceo's at 75 of the nation's top 270 retail chains.

The largest group consists of those who strongly approve of the President's handling of his job and believe his policies have had a significantly positive effect on the country. Nearly three-fourths of those surveyed by *CSA* believe that retailing is better off today, at least in part, because of the President's policies. Of those who voted for him last time, 89% say that his performance has lived up to their expectations.

The other group consists of retailers who are not enthusiastic about a Reagan Presidency but see him as a better alternative than the Democratic nominee, Walter F. Mondale. The *CSA* study found that 11% of the ceo's who voted for Reagan in 1980 are disappointed with his performance. Of that group, just one plans to vote for Mondale.

"In my opinion, there is no realistic alternative for a businessman," wrote one survey respondent who will support the President. Added another, "Our country deserves better candidates."

Although retailers clearly favor a second term for Reagan, the minority who will vote for Mondale are outspoken in their disapproval of the President. Says the ceo of one of the nation's largest catalog showroom chains about Reagan. "Bad for the country long range. Too much defense spending, bad foreign policy. Taxing the wrong people. Not enough help for the poor."

dent has put more spendable income into consumers' hands, and that has helped boost our sales," says the president of a $300 million catalog showroom chain. He believes that under a Democratic Administration, "Our taxes would be raised considerably."

The President also scores well with retailers for the decline in unemployment, which raged at 10.7% midway through his term but is now down near 7%. Nearly 83% of the survey's respondents credited Reagan with reducing joblessness which, together with inflation, stands as one of the most important issues in an election year.

A question mark: If there is a conspicuous weakness in Ronald Reagan's economic handiwork, it is the enormous budget deficit, which threatens to choke off the recovery. Last March, when consumer spending seemed about to begin declining, Federated Department Stores chairman and ceo Howard Goldfeder voiced a concern about the dangers of a Federal deficit—which has since been echoed by many other retailers. "The deficit represents a very real question mark on the economic horizon," Goldfeder said.

Several weeks later K mart's chairman, Bernard M. Fauber, told reporters at his company's annual meeting that all the talk of the impact of the deficit, especially the prospect of higher interest rates, may have caused "the slight loss in consumer confidence that we have seen over the last 60 days."

Retailers agree: Reagan has brought inflation down and reduced joblessness

As the Presidential campaign has heated up, the White House itself has apparently grown reluctant to discuss possible ramifications of the high national debt. Officials at the White House and for the Reagan-Bush '84 committee declined to comment to *CSA* on the effect the budget deficit might have on retailing.

But on this most volatile issue many retailers hesitate to criticize the President, suggesting instead that the deficit is the result of Washington politicking. In the *CSA* poll 45.6% either voiced outright approval of the President's handling of the deficit or were neutral about his approach to the problem.

In condemning the deficit last March, Goldfeder referred to "short term election year objectives" of both political parties. Some survey respondents simply faulted the Democrats directly for the debt.

"I don't blame the President because he was left with all of those committed programs which have been building up over the years," says John A. Sprouse, chairman of Portland, Ore.-based Sprouse-Reitz.

Great personal feelings: With the economy booming, retailers seem inclined to forgive Ronald

Reagan for such trespasses against their industry as strict import quotas and proposed regulation of the "gray" market. Many merchants simply cannot believe that the President does not have their best interests at heart even though, in the opinion of a lobbyist for one retailing trade association, the Reagan team has sided against retailers on more issues than any other recent Administration.

Consider the case of import quotas, which have increased dramatically in this election year. In 1984 tariffs and quotas will drive up retail prices of apparel and textile products at least $21 billion and severely cut into consumer buying power. Moreover, Commerce Department tactics on issuing quota calls have left many retailers scrambling to replace goods precipitously snatched from them.

Although few retailers stand to benefit from this kind of protectionism, only 42.8% of the ceos surveyed by *CSA* disagreed to any degree with the Administration's policy on imports. The remaining 57.2% either chose to take no stand against it or support the President's position.

"I think that kind of reaction comes from the great personal feelings many retailers have for the President," says Bob Brouse, executive director of the Retail Industry Trade Coalition, which is fighting import quotas. "Many retailers may be reluctant to criticize him."

The President also manages to elude blame for the controversial stand his Justice Department has taken on resale price maintenance. In the *CSA* study a surprising number of ceos of price-competitive retailers, such as discount stores, refused to censure the Administration on rpm.

"Many industry people see Justice's position as a product of a school of thought espoused by Presidential appointees rather than a policy developed by the President himself," says Richard Hirsch, executive director of the National Mass Retailing Institute.

Only 26.2% of those surveyed were displeased with the Administration over rpm despite fears that it endangers the low margin strategies of many chains and would severely restrict the distribution of the brand name goods consumers have shown they want.

"We've seen some toning down of the Justice Department's rhetoric on this issue, but it's still a serious problem," says Ed Borda, executive director of the Association of General Merchandise Chains.

On the proposed regulation of "gray" market imports, which one lobbyist concedes would not even be an issue were it not for new attitudes at the Justice Department and in the Federal Trade Commission, the President is once again not directly tarnished by the position of his appointees. Just 15.8% of the ceos disagree with the Administration's handling of the issue, although the proposed regulations could make the United States "an island of high prices in the world market," according to AGMC's Borda.

Four more years: And so, just months before America renders its judgment on Ronald Reagan, retailers have clearly proclaimed their support for him. They see Reagan as a President whose policies have turned the economy around, and they applaud what they perceive as his laissez-faire attitude toward business. If he has occasionally bent to political pressure and possibly been less than judicious in some of his appointments and policies that is no reason to cast him out of office, they say.

"He has done a lot for this country and needs another term to finish his work," says the president of a Midwestern discount chain. □

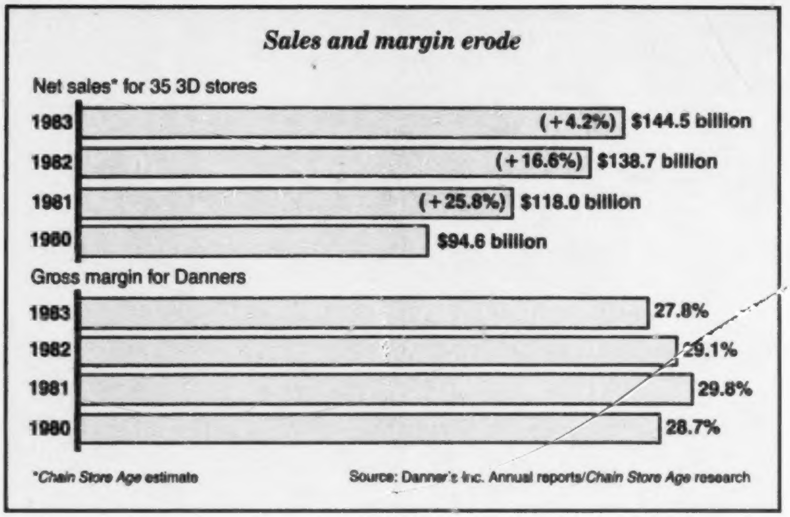
Protectionism: Policies leave chains vulnerable

Somewhere, in warehouses in the Far East and in America, sit $8 million in tote bags and other textile luggage ordered by K mart nearly 12 months ago. K mart's buyers sought that merchandise with the intention of placing it in stores during the current back-to-school season and for Christmas. Promotions were planned, ads designed, displays contemplated.

All for naught—K mart will not sell those tote bags this year. Responding to pressures from fabric manufacturers and labor unions, the Reagan Administration issued strict quota guidelines on the category, shutting off the flow of goods before K mart received its order.

Caught by the sudden action, K mart moved to find alternate merchandise. None was available, even at higher prices. Now the chain must wait until December of this year, well past the intended selling season, to bring these goods into its stores.

K mart's difficulty in obtaining those tote bags is not an isolated case of the hazards of doing business in international markets. Increasingly, say retailers, the Administration's willingness to bend to protectionist interests is cutting off key avenues of supply, raising prices on merchandise that is available, and making importing a risky, troublesome venture.



sis, soft lines have been moved from the right to the left side of the store; the left side is the most heavily trafficked.

"It's an attempt to enlarge soft lines and to use hard lines to our advantage," says Bennett. As a result, he expects the prototype's sales to beat the average by 25% or more in one year. This would raise the Owosso store's productivity to minimally $95 per gross square foot, according to *Chain Store Age*'s calculations.

Like Richway, the newly remodeled store has a 60% hard/40% soft goods mix. Previously, the ratio had been 70/30. More fashion has been added to apparel departments (especially in women's sportswear) while basics have been expanded.

Updated fixturing, upgraded hard and soft lines are 3D's bid for the young, thrifty family

For example, 3D recently jumped on the activewear bandwagon. It currently displays Wilson attire in front of sporting goods on two round fixtures. Items include jogging pants (at $14.99), running shorts (at $9.99) and v-neck, short-sleeve shirts (at $10.99).

Hard lines, too, have been upscaled. As in apparel, new merchandise has been brought in at higher price points while the bottom-end has been pared down or cut out completely, says Bennett.

In fragrances, 3D carries items from Matchabelli, Revlon, Coty and Jean Naté, merchandised on a chrome etagere near health & beauty aids. Previously, the only fragrances carried were a small selection for the holidays.

Despite the upgraded merchandise, Bennett says 3D's aim is to continue to attract the young family with a $15,000 to $18,000 income. In fact, rack signs reiterate this message by reading, "Selection, style and quality . . . at the right price!"

Wherever possible, 3D tries to make a selection statement. The toy department boasts bicycles by hanging 21 sku's from the ceiling, in a display similar to Target's. Each item is tagged with model number, size and prices for assembled and unassembled units.

Phones also demonstrate 3D's merchandising savvy. One side of a slat-backed gondola signed "Telephone Center" features approximately 25 models and approximately 30 pegboarded accessories. Suppliers include G.E., ITT, Sound Designs, Webcor, Kraco, G.T.E. and U.S. Tron.

Moreover, Bennett notes electronics' adjacencies have been improved. Management pulled cameras and records together with other electronic merchandise such as stereos, clock/radios and computers. ☐

Canadian consumers give retailers the cold shoulder

Canada's top 10 retailers are showing a slow but steady recovery.

Depending upon whom you ask, the state of retailing in Canada is either as bleak as winter in the Northwest Territories or much improved.

Technically, Canada is no longer in the midst of a recession but in a slow growth period. However, this "growth period" is characterized by a 12% unemployment rate with inflation hovering around 8%.

Department store sales were up only 6.2% from April '83 through April '84, according to Statistics Canada. Fortunately for retailers, the retail inflation rate of 3.9% is far below the national inflation rate. Jim Newton, chief economist for Management Horizons in Columbus, Ohio, notes real sales growth for retailers was 4.7% in '83. Expectations are it will reach 4.5%-5% this year, then drop to 3% in '85.

Newton is more optimistic than other observers about the Canadian retail scene. "I don't know why they're so pessimistic up there," he says. "The Canadian recovery is not as energetic as the United States, but it's still quite good. The Canadian consumer is coming out of his shell."

Even in the best of times, though, it's more difficult to get Canadians to part with their dollars. Personal savings are much higher than in the

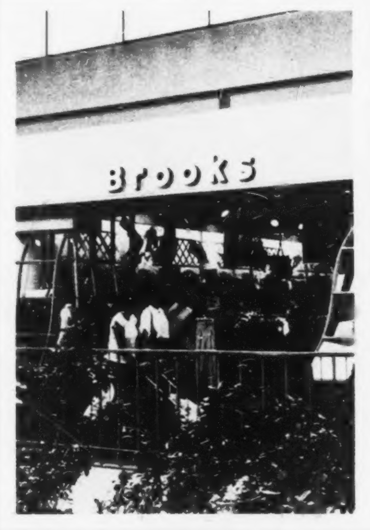
The grass is always greener on the other side of the border

Canadian retail chains have plenty of *room* for expansion, but not in populated areas. Ninety per cent of Canadians live along a narrow band that hugs the United States border.

Retailers are looking to greener pastures in the States for expansion. This is not a new trend, but one that is on the upswing as the United States economy has recovered faster than Canada's.

Since F. W. Woolworth and Kinney Shoes expanded into Canada, the Canadian divisions have been responsible for some profitable specialty store concepts. Foot Locker, Lady Foot Locker and Fredelle are all store ideas that originated in Canada and have since been brought successfully into the United States.

Success has proved elusive for other Canadian chains venturing south. Consumers Distributing, for example, derives 41.1% of sales from its United States catalog stores. Only the United States East Coast region, however, is contributing to profits.



Canadian Tire entered the United States market in 1981 when it acquired White Stores in Texas. After revising sales and profit estimates, 1984 is targeted to be the year the United States division will make a profit.

Reitmans, Canada's third-largest specialty-store retailer, acquired St. Louis-based Worths women's apparel stores in 1979. Worths was profitable when Reitmans took over; it hasn't turned a profit since. Nevertheless, Reitmans has expressed interest in acquiring Penningtons, a large-size specialist which already has a United States operation.

Dylex, the largest specialty-store company, is looking to the United States, where it expects to achieve half its sales in the future. Already this year, Dylex has acquired NBO, an off-price men's wear chain, Wet Seal, a California women's wear chain, and Wet Seal, a California women's wear chain, and has offered to buy the 670-unit, $336 million Brooks Fashion Stores, a nationwide chain of women's specialty stores. Dylex also plans to bring its Tip Top operation into Chicago in 1985.

In their search for American profits, which continue to evade them, Canadian retailers may have overlooked potential back home that American chains are eying. Toys "R" Us has opened units in the Toronto area, with plans to take the toy specialty chain coast-to-coast.

States. Although savings as a percentage of disposable income dropped last year from 15% to 12%, shoppers appear unlikely to allocate any more dollars to stores.

In a May survey by the Conference Board of Canada, higher-income consumers are most pessimistic about the economy, while low-income shoppers are most optimistic. But low-income shoppers in Canada, with real wages lower than in prerecession times, have little disposable income.

Retailers in Canada's western provinces of Alberta and British Columbia continue to be hardest hit. Those are the areas that are most dependent on income from natural resources. Saskatchewan, Canada's corn belt, has remained mostly stable throughout the economic downturn. Quebec and Ontario, Canada's most populous provinces, are recovering fastest.

The bright spots will continue to be specialty stores, deep discounters and, among full-line retailers, apparel and major appliances departments. Bob Knox, vp/public affairs at Sears Canada (formerly Simpson-Sears), the largest retailer of white goods, notes that appliance sales are up this year. But 1983 results are skewed because of a "sales tax holiday" in Ontario on white goods that resulted in phenomenal increases. There is still a pent-up demand, economists feel, for big-ticket lines that consumers have postponed buying, even though housing starts are down.

Sad song: Full-line, nationwide department stores are singing the saddest songs. "Department stores in Canada are a terrible mess," says

Top 10 Canadian retailers

Chain	'83 sales* (000 omitted)	'82 sales* (000 omitted)	% change
1. Hudson's Bay Co.	$ 4,371,000	$ 4,139,000	+ 5.6
2. Sears Canada Inc.	**3,314,000**	**3,137,000**	**+ 5.6**
3. T. Eaton Co.[1]	2,373,000	2,200,000	+ 7.9
4. Canadian Tire	**1,903,000**	**1,789,000**	**+ 6.3**
5. F. W. Woolworth Canada	1,739,000	1,670,000	+ 4.1
6. Woodward Stores Ltd.[2]	**1,120,000[1]**	**1,104,000**	**+ 1.4**
7. K mart of Canada Ltd.	1,001,000	944,000	+ 6.0
8. Consumers Distributing[3]	**899,000**	**788,000**	**+14.1**
9. Dylex Ltd.	822,000[4]	549,000	+49.7
10. Towers Dept. Stores[5]	**443,000**	**405,000**	**+ 9.4**
Totals	17,985,000	16,725,000	+ 7.5

*All figures in Canadian dollars. Fiscal year ended January 1984, except Sears, ended February. [1]Estimated. [2]Includes revenues from food operations. [3]Includes revenues from U.S. operations. [4]'83 sales include acquisition of BiWay. [5]Includes drug operations.
Source: Clayton Research Associates Ltd. and *Chain Store Age* research.

Paul Goldstein of the *Globe & Mail* in Toronto. Frances Phillips of the *Financial Post* adds that these chains haven't reached their profit potential since the early 70's—long before Canada's most recent recession. Chains have expanded too fast, are competing in malls against each other and discounters with the same lines, and have, for the most part, inferior management. One retail observer notes: "They're getting rid of people on the floor [as a cost-cutting measure] but not cutting management."

The best-run company among the top department stores is Sears, says Phillips. Like its United States counterpart, Sears is keeping abreast of changing times by bringing in Store of the Future refurbishing techniques. It is also experimenting with a men's specialty store, Sears Men's Wear, in Montreal. Popular Sears brands in the United States like Cheryl Tiegs and Arnold Palmer have also made an appearance.

Woodward's, with stores just in British Columbia and Alberta, will get through '84 with flat sales and a slight profit decline, says Grant McLaren, president. Woodward's, he says, has had to be more innovative "by necessity." It has managed to survive in part because of its in-store supermarket operation, which provides 40%-50% of volume.

Simpson's, which the Hudson Bay Company bought in 1979, has dragged the company down, says Martin Kaufman at Nesbitt Thompson. Layoffs of 1,600 full- and part-time employees by November will save between $20 million and $25 million, he estimates, but the division will still lose more than that pretax. The Bay division will probably make a profit this year, Kaufman feels, while the discount division, Zellers, has done well throughout the recession.

Canadian department stores are looking to United States chains for answers, says Goldstein. For example, some are bringing in gourmet and specialty foods as a way to differentiate themselves, and Goldstein thinks this has helped. Most importantly for the long run, Goldstein concludes, is that Canadian department stores "have to realize they can't be all things to all people anymore." ☐

—Marsha Parker Cox

idas
Cooper
SPALDING
CKER ROOM
DUNLOP
Slazenger
Jimmy Connors
17

There's little distinction between discounters and department stores in Canada.

No distinct niche for discounters

Discounters in Canada are finding it increasingly difficult to create or locate their very own market segment. The top discount chains—Woolco, K mart, Zellers and Towers—are termed "junior" department store chains. Since there are few freestanding stores in Canada (due to zoning and climate), most find themselves sharing mall space with a real department store—and going head-to-head for the same customer.

Discounters can't even compete on price with the department stores. "Department stores are de facto discount stores," says Pete Jarmosevich, director of economic and consumer analysis for K mart Canada. "Virtually every week, they're running 30% off sales." The full-line Canadian department stores have much more merchandise overlap with discount chains than do department stores in the United States. It's not uncommon to find the same roach-trap endcap display at a discounter *and* department store in the same mall.

K mart Canada uses four to five prototypes for new stores, targeted to specific demographics

There is also very little distinction between the discounters themselves. "If we didn't have the name on the door, customers wouldn't know where they were," says K mart's Jarmosevich. The discounter image is its tremendous advertised specials. "But with everyone carrying the same merchandise the customer just waits for someone to have it on special," he adds.

The junior department stores are also getting blistered on price by discounters like Bi-Way, Miracle Mart and Consumers Distributing. These chains carry smaller assortments than the juniors, but are very promotional on what they do carry.

The way out of the dilemma is to go upscale, Canadian discounters have reasoned. Zellers, one of the first to upscale, is now the shining star at the Hudson Bay Company. Thanks to contributions from the $1 billion (Can.) division, which accounts for only 30% of sales, Hudson's Bay will probably make a profit this year, says Martin Kaufman, analyst at Nesbitt Thompson.

K mart and Woolco, on the other hand, are playing catchup, thinks Paul Goldstein at the *Globe & Mail* in Toronto. K mart's Jarmosevich admits the stores had been neglected while the chain was concentrating on expansion. K mart plans to have 18 (of 120) stores completely redone by January, with another 15 scheduled for refurbishing next year. Only two to three new stores will be opened per year, compared with the 8%-10% expansion rate previously.

Unlike the United States operation, K mart does not take a cookie-

BEDDING
DING
BEDDING

***Many shoppers are turning away** from polyester in favor of cotton and cotton percale sheets.*

Consumer ignorance trims true tradeup

Are retailers and manufacturers pulling the wool over consumers' eyes in "better" sheet lines? A look at what consumers say they want—and what they are actually getting—indicates that both department stores and discounters may soon be up against a natural fabric demand.

Consumers want percales, according to a *Chain Store Age*/Leo Shapiro & Associates survey. However, they appear not to know what the term means. For most shoppers, percale merely indicates better quality. Today, however, the consumer seeking percale sheets is choosing from a wide range of goods, not all of which have the quality they expect in a percale.

In department stores, percales can refer to the near-percales (160 threads per inch), which often amount to 10%-15% of stock. Under current trade practices these cannot be legally termed percales. In legitimate percales (180 and higher thread counts) shoppers can choose among all-cotton goods, cotton blends and high polyester blends. Percales found at discounters, which are few, are usually high in polyester. The 200-count, Gloria Vanderbilt "prestige" line for discounters, for example, is 80% polyester.

In a survey of Hartford, Conn., domestics consumers, respondents indicated that "percale" was their first choice of fabric; nearly one-third chose it. Next was cotton, chosen by 2 out of 10 shoppers. One in 10 wanted either a 50% cotton/50% poly blend or permanent press. Far fewer than 1 in 10 shoppers looked for polyester sheets, even at discounters.

Confusion over the term 'percale' causes many consumers to lose out on quality thread count

Unfortunately, these same customers do not know what percale really refers to. Almost one-third of department store shoppers said 120- or 130-count sheets were percale—more than catalog chain shoppers or discount shoppers. Only 4 in 10 domestics shoppers correctly guessed that percale referred to 180 and above counts. Additionally, 14.1% claimed not to know at all what the term meant.

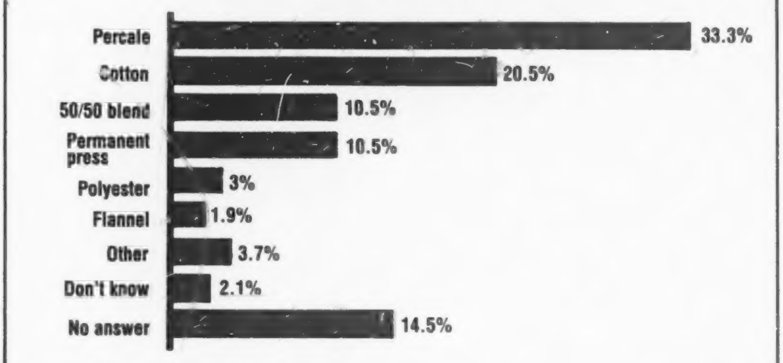
When it came to fabric content, discount shoppers were just as demanding as their department store counterparts. More than one-third of the discount shoppers wanted percale, and another one-quarter wanted all-cotton or 50/50 blends.

Department store retailers acknowledge that stocks today must reflect more cotton. With the better lines that have high-poly content, says a source at a $350 million East Coast department store chain, "you downplay the polyester." He adds that manufacturers would be wise to bring cotton sheets down into lower price ranges.

Rick Smith, dmm/textiles at Dallas-based Sanger-Harris, see a "swift movement away from high-polys and more calls for 100% cotton or at least 50/50 blends." He adds that Sanger-Harris won't go with a 160-count, high-poly blend anymore "unless it's for a super promotion where we can barrel out a ton of goods."

Even manufacturers seem to realize they've gone as far as they can

Shoppers look for better fabrics in sheets
(First-choice fabric)



Source: *Chain Store Age*/Leo Shapiro & Associates.

go with poly sheets. J. P. Stevens backed off from a proposed 200-count, all-poly line. "That would have been a disaster," thinks Sue Belt, sheet buyer at the Broadway.

Where does this leave discount shoppers? Still at the tail end of the tradeup trail, unfortunately. Although Steven's prelaunch survey for the Gloria Vanderbilt line found that consumers did not *object* to polyester, they apparently don't *want* it. Once the top of the line at discounters, the Vanderbilt sheets are being promoted at lower prices today. Bradlees, which carried the full flat sheet at $14.99 when the line was launched, now has it at $12.99 regularly, $8.99 sale. This indicates that even discount customers aren't willing to pay the price for polyester. ☐

Waterbedding makes a splash

Department and specialty store retailers who think waterbedding isn't important enough or is just a West Coast phenomenon may be sending customers into the arms of discounters. Even on the West Coast, which tops the nation in waterbed sales, not enough department stores are giving waterbedding sufficient space.

When department stores do carry waterbed linens, the assortments are limited. A source at a $330 million, East Coast department store chain says, "We only carry linens for the waterbed customer's convenience. We're getting more requests now, but less than 10% of bed sales on the East Coast are waterbeds."

Joel Kaplan, trend director/home furnishings at the Dayton Hudson Stores Company, says that while the chain is more aware of waterbedding, the category is not expected to become a big department store business. Where carried in the Dayton's and Hudson's stores, however, waterbedding receives its own fixturing.

Out West, waterbedding gets short shrift at The Broadway, which doesn't carry the category at all. Not that The Broadway has anything specific against waterbedding. Says Sue Belt, sheets and bed toppings buyer, "There are other classifications where we feel we don't do the job we should." The Broadway will concentrate on beefing them up. "There are just so many dollars to go around and we don't want to take money away from business that gives us pluses."

Lack of enthusiasm by department stores leaves a void to be filled by national discounters like K mart and regionals. At K mart, "every store has the option to carry waterbedding," says Marilyn Gill, domestics buyer. All of the full-size stores do. Success with the category depends more on store location than region, Gill says. "There are stores in Detroit that do just super." In those stores that warrant full treatment, K mart devotes a 71/2-ft. gondola run to sheet sets, comforters, mattress pads and chemicals.

Caldor is making a commitment to waterbedding in the Northeast. During its July white sale, five styles of Springs Mills waterbed sets were promoted on the sale circular cover, priced at $21.88-$29.88. Comforters and mattress pads were also included. Similarly, K mart featured two Springs Mills styles in its June white sale at $19.88-$26.97.

One reason discounters are taking to waterbedding like ducks to water may be their previous experience with sheet sets. Discounters sell the bulk of all sheet sets and are judged by Seymour Seidman in *The Seidman Report* to have the best growth rate in the sheet and pillow case industry. Department stores all but ignore prepackaged sets.

In addition, the small market for waterbedding at present lends itself to an endcap or gondola run display, not to the shop approach department stores prefer. However, as discounters become more like department stores in merchandising domestics— more piece business and shopification à la Gloria Vanderbilt—will waterbedding get put on the back burner at these outlets, too? An ominous sign: Caldor's East Coast rival, Bradlees, featured Gloria Vanderbilt in its white sale, which ran concurrently with Caldor's. Waterbed sets were nowhere to be seen. ☐

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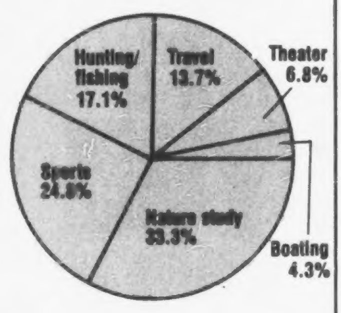
Other bedding classifications usually squeeze out waterbedding.

***Most consumers** use binoculars for nature study or sporting events.*

Nature study, sports viewing are top uses for binoculars



Source: *Chain Store Age*/Bushnell

Binocular sales looking up—9% boost expected

The sleeper growth category in photo/camera for the fourth quarter won't snap a single picture on Christmas morning, but will bring smiles to a department in search of an upward-trending product and higher margins.

According to *Chain Store Age* estimates, binocular unit volume for the final three months will increase 15% over the strong sales for the same period last year. With the bulk of the sales growth at the under $60 retail level, dollar volume will increase 9%.

In 1983 over 2.6 million binoculars were sold industrywide. This year's totals should top 3.1 million. Industry sources tag retailers' gross margins at a healthy 25%-35%.

Binoculars already enjoy a 47% household penetration. The typical binocular user, according to National Family Opinion research and warranty return card information provided by Bushnell, is male (63.5%), between the ages of 25 and 54 (69%) with an average age of 41, married (79%) and has children living at home (44%).

By region, over 1 out of 4 binoculars (26%) are sold in the North Central States. The Pacific region accounts for 18% of sales with the Middle Atlantic States at 16%, the South Atlantic with 15%, South Central at 13% and the New England and Mountain States each posting 6%.

If binoculars can be easily handled—not locked in cases—new customers may take the chance and buy

Though binoculars are often durable enough that they are handed down from one generation to the next, and technological improvements do not create obsolescence, the best customer for binoculars is one who already owns a pair.

"The person who saw a need to buy binoculars in the first place also sees the need to buy another pair," says Tasco executive vp Sheryl Rosenfield. "He says to himself, 'These are too big for my trip, I need a smaller pair,' or 'I need a rubber-covered pair for the boat.'"

Rosenfield suggests that retailers carry minimum six sku assortments which will better attract the repeat binocular customer. The Tasco vp also cites successful full-assortment promotions by Bamberger's and Macy's California as effective strategies for maximizing both repeat business and first time sales. Rosenfield says price promotions targeted at a single price point will not capture a large enough market response to profitably increase volume.

Other retailers have begun new merchandising schemes to boost sales. Discounter Wal-Mart is currently restructuring its entire binocular display by pulling product out from behind locked glass cases and onto peg boards. The Bentonville, Ark.-based mass merchant is betting that customers who can handle and inspect binoculars will more easily overcome buying resistance.

One issue that has yet to be effectively addressed by either manufacturers or retailers is how to trade the customer up. The benefits of a $79 binocular over a $69 or even a $39 pair are not immediately obvious to most consumers.

A knowledgeable sales staff might be expected to serve this function, but as the binocular business increasingly moves into self-service departments, store signing programs and manufacturer packaging will need to differentiate the assortment and move the customer up more effectively than either currently does. ☐

July sales spring ahead 11.7%

Major chains	% change	July sales* 1984	July sales* 1983	Stores 1984	Stores 1983	6-mo. sales 1984	6-mo. sales 1983	% change
Sears[1,6]	+ 1.1	1,905,008	1,884,227	880	890	12,168,263	11,489,693	+ 5.9
Penney	+ 18.4	799,000	675,000	2,007	2,027	5,276,000	4,482,000	+ 17.7
Ward[1]	+ 5.9	448,973	423,916	367	375	2,899,574	2,615,318	+ 10.9
Federated[5]	+ 12.3	465,300	414,400	N/A	N/A	3,395,800	3,031,600	+ 12.0
Dayton Hudson	+ 15.8	478,833	413,560	1,116	1,044	3,315,844	2,839,624	+ 16.8
May Dept. Stores	+ 16.0	278,600	240,200	1,655	1,514	1,991,400	1,745,500	+ 14.1
R. H. Macy	+ 10.3	225,600	204,500	94	92	1,827,700	1,589,500	+ 15.0
Allied Stores	+ 6.6	219,100	205,600	585	550	1,714,300	1,560,500	+ 9.9
Carter Hawley Hale	+ 23.7	232,900	188,300	254	235	1,596,600	1,319,300	+ 21.0
Associated Dry Goods	+ 7.4	225,900	210,200	325	319	1,734,000	1,459,000	+ 18.8
Mercantile	+ 1.5	114,786	113,040	78	85	719,768	672,183	+ 7.1
K mart	+ 8.2	1,483,664	1,370,646	2,159	2,136	9,229,063	8,614,049	+ 7.1
Woolworth	+ 7.4	397,616	370,384	N/A	N/A	2,558,927	2,406,979	+ 6.3
Wal-Mart	+ 29.6	482,000	372,000	684	599	2,744,000	1,954,000	+ 40.4
Household Merch.[2,3]	+ 3.1	394,060	382,296	3,751	3,886	2,597,701	2,525,914	+ 2.8
T.G. & Y.	+ 1.0	132,204	130,889	768	845	943,095	892,975	+ 5.6
Zayre[4]	+ 22.3	179,927	147,064	790	686	1,326,858	1,091,867	+ 21.5
Bradlees	+ 35.8	91,000	67,000	128	112	583,000	444,000	+ 31.3
Murphy	+ 3.7	61,784	59,573	393	411	414,369	392,035	+ 5.7
Rose's	+ 8.9	62,701	57,575	191	239	410,793	356,803	+ 15.1
Heck's	+ 22.0	31,100	25,500	122	119	201,607	188,644	+ 6.9
Jamesway	+ 15.9	33,105	28,569	79	76	201,906	178,759	+ 13.0
Melville	+ 2.1	283,977	278,172	5,784	5,604	2,190,053	1,880,315	+ 16.5
Tandy	+ 5.7	190,050	179,659	N/A	N/A	1,223,845	1,158,796	+ 5.6
Edison Bros.	+ 13.3	82,800	73,100	2,211	2,166	525,377	483,781	+ 8.6
The Gap	+ 15.7	31,700	27,400	589	554	203,500	178,900	+ 13.8
Totals & Averages	**+ 9.4**	**9,195,484**	**8,411,881**	—	—	**61,050,248**	**54,659,060**	+ 11.7

*000 omitted. N.C. = no change. N/A = not available.

[1] Store number for full-line outlets only. [2] Includes 2,753 franchise stores (vs. 2,829 a year ago). [3] Includes T.G. & Y. sales. [4] Includes 278 Zayre stores (vs. 269 a year ago), 377 Hit or Miss stores (vs. 316) and 135 T. J. Maxx stores (vs. 101). [5] Excludes supermarket sales. [6] Includes results from Sears Canada.

Sales strong, but double digits down

Across the board double-digit sales gains have run their course as 1984 volume is now compared against increasingly strong post-recession 1983 figures. The 25 chains tracked by *Chain Store Age* marked July sales 9.4% ahead of the same period last year. Volume for the first six months is up 11.7%.

Sears, the nation's largest retailer, saw July United States sales 2.7% higher than last year. Combined United States-Canadian totals, negatively affected by a 4.5% drop in Sears Canada volume, increased 1.1%, Sears' smallest percentage rise in 23 months. Figures for the first half show United States sales up 6.9%, and Canadian operations posting a 3.9% gain.

J. C. Penney July sales continued on an upward swing, increasing 18.4% over last year. Store-for-store results were up 18.5% for the month and 17.6% for the first six months. Montgomery Ward comparable store figures increased 6.8% for July and 12.6% for the first half.

Carter Hawley Hale led the department stores with July volume for department stores rising 22.6% and specialty store operations up 26.7%. For the year-to-date, comparable store figures for the department stores show a 19.3% gain, with specialty stores increasing 14.9%.

Among the discounters, K mart's 8.2% July gain outpaced its 6.3% June increase and six-month pace of 7.1%. Store-for-store results were 6.8% over last July and 5.6% above last year's first half figures.

Radio Shack operator Tandy continues to show disappointing sales. Volume for Tandy's United States Radio Shack division declined 1% in July, with comparable store figures dropping 3%.

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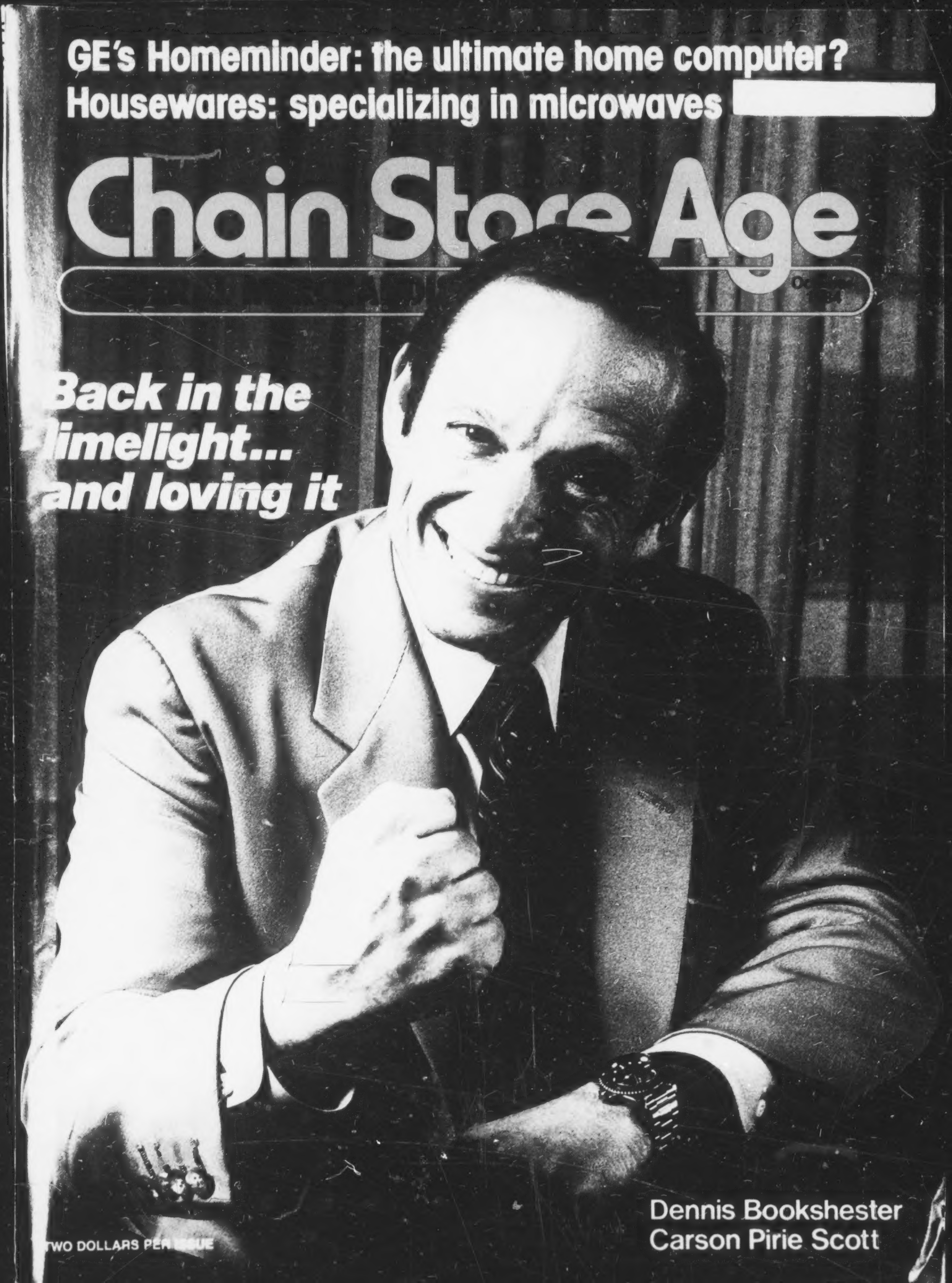


Back in the limelight... and loving it

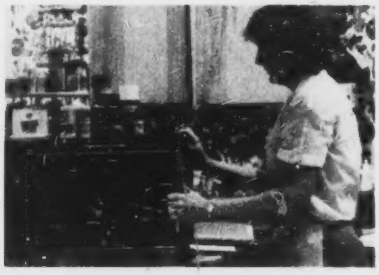
Dennis Bookshester
Carson Pirie Scott

TWO DOLLARS PER ISSUE

IN THIS ISSUE

Lower niche retailers produce high returns

By resisting the pervasive trend to upscale, companies like Family Dollar and Dollar General have prospered. Since the lower end of the price spectrum is being avoided by many traditional discounters today, discounters declining to up price points are able to expand 30



Cooking classes heat up microwave sales

Bob Atkins owns four Friedmans' microwave specialty store franchises in the Los Angeles area. The mix of brand name microwave ovens and cookware, as well as cooking classes, are important ingredients in Friedmans' success with a broad range of customers. . . . 58

Anthony's strong on domestics

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Bigger is better for French chain

Can a European-style hypermarket succeed in the United States?

That question is about to get yet another airing as Euromarche, a French company, begins testing a large format store here. If successful, the company hopes to open up to 10 of these stores over the next five years.

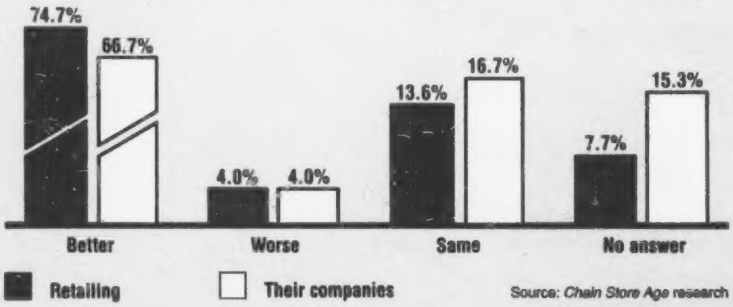
The new hypermarket, dubbed Biggs, premiered earlier this month on the outskirts of Cincinnati. A 180,000-sq.-ft. unit, Biggs is serving as the anchor of a 350,000-sq.-ft. mall of off-price stores whose tenants include Marshalls, Famous Footwear and 12 specialty food stores. The entire project, including construction of the mall and inventory for the hypermarket, reportedly cost Hyper Shoppes, the American subsidiary of Euromarche, some $20 million.

Although the food section of the mammoth store is being operated in the manner of warehouse supermarkets, with deep discount prices, the hard and soft goods presentations most clearly resemble upscale discounters in both mix and pricing. Biggs' intention to capture the upper segment of the market is apparent from the merchandising personnel it has recruited, including apparel buyers from Elder-Beerman and Shillito-Rike.

Correction

A chart published in the September 1984 issue of *Chain Store Age* incorrectly showed the results of a survey designed to measure the impact of the Reagan presidency on retailing. The correct version of the chart, which reflects data collected from a survey of ceo's at the nation's 270 largest general merchandise chains, appears below. ☐

Ceo's rate Reagan's impact on retailing and their companies



Source: *Chain Store Age* research

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Discount chains that ride the upscaling bandwagon neglect a substantial buying segment.

Lower niche retailers produce high returns

Since the late 1970's Wal-Mart has most often been considered the company by which others in the discount industry are measured. In that time the Southern retailer has built an enviable record of compounded sales and earnings gains, growth in profit margins and declines in expense to sales ratios.

In August, however, a research team at First National Bank of Chicago published an analysis of 16 top discounters which dramatizes the strides made by two emerging companies, Family Dollar and Dollar General. In five of six categories tracked by First National, including earning power and net margin, Family Dollar ranked first. In three categories Dollar General placed second, while in two others it ranked third.

The nearly simultaneous emergence of Family Dollar, based in Matthews, N.C., and Dollar General, out of Scottsville, Ky., is not coincidental. But it is curious. Both companies have grown and prospered while resisting the most pervasive trend in retailing today, upscaling, and they continue to serve a customer which some analysts believe is being forsaken by the rest of the discounting industry.

"Most traditional discount stores are abandoning the low-priced end of the retail spectrum," observes Fred Wintzer, retail analyst for Shearson Lehman/American Express. "A void is being created in the retail offerings available to lower-income customers."

That "void," moreover, is likely to grow larger because the upscaling movement is only now reaching full stride. As a result, both Family Dollar and Dollar General are moving ahead with ambitious expansion plans, and several other chains are now eying the neglected lower-niche customer with their own version of this brand of retailing. In short, discounting's inevitable reaction against upscaling is already gathering momentum.

Upscaling discounters leave Family Dollar and Dollar General with a bigger piece of the pie.

Given the erratic performance of the economy over the last 15 years, it shouldn't be surprising that a strategy which targets low-income customers is succeeding. From 1970 to 1982, in fact, the number of households with incomes under $15,000 a year, as measured in 1982 dollars, rose by 3.9% to 37.4% of all households.

Trading down: Nearly as important to the success of these chains has been the willingness of the middle-class shopper, whose patronage is essential to the traditional discount store, to trade down. Many of these customers first discovered chains like Dollar General during the last recession and liked what they saw enough to keep coming back, especially when their customary outlets, the conventional discount store, started moving up in price points.

"We don't get all of their business now," says Family Dollar president Lewis Levine of the middle-class customer, "but those who came to us during the recession keep an eye on us. They come back for the basics."

Both Family Dollar and Dollar General have proven adept at supplying the lower-niche customer with most of her family clothing needs. Soft goods make up nearly 50% of sales at both chains, a far greater ratio than in most discount stores. The chains rely heavily on soft goods because that is where they can create excellent value for their customers while shoring up their profit margins.

"Everyone's competitive on H&BA's," says Cal Turner Jr., president of Dollar General, "because the name brands are so recognizable. But we can make opportunistic purchases for our customers on something like men's shirts, sell them at $5 apiece, and still make a decent profit."

To market effectively to low-income customers, both chains tend to price apparel at least one point below traditional discounters and two points below upscalers. In men's and women's tops, for instance, the chains will usually price items between $4 and $6, with an occasional familiar name, like Garan, going out for $8. Adult jeans will sell for $7 to $10 in secondary brands and $12 to $15 for Wrangler, Lee and Levi.

Building profits: There is nothing downscale about the margins these chains have been able to record selling goods at such prices, and the upscaling trend has only given both chains even more room for profits. Dollar General's gross margin has grown from 27.2% in 1981 to 29.6% in 1983. Family Dollar's gross for the first six months of the current fiscal year is 37%.

To fashion these kinds of gross margins the chains have become adept at ferreting out opportunistic buys, a task made easier by the tendency of low-income customers to make their purchases later in a shopping season than most consumers.

"This kind of customer definitely shops later," says Robert Craighead gmm for Glosser Bros. in Johnstown, Pa. "When you've already reached your sales peak in a traditional discount store, a store for lower-niche customers is just starting to build sales."

Craighead has had first-hand experience serving this customer through Glosser's Dollar Bargain stores, which are spread throughout western Pennsylvania. The success of these stores in just two years of operation is testament to the viability of retail concepts which reach out to the lower-niche customers, says Craighead.

The company has already opened 19 Dollar Bargain stores and plans to have 30 in operation by year's end. Stores open for more than a year are doing $120 per square foot.

Glosser has taken the concept behind its Dollar Bargain stores and extended it another step, converting two large Gee Bee discount stores to a warehouse format targeted at lower-niche customers.

"When you're competing in a market where everyone is doing something similar, you have to distinguish yourself from them," says Craighead.

These units combine the Dollar Bargain concept of selling closeout and soft goods with a box supermarket or deep-discount drug store's approach to merchandising hard goods. Fast-moving items like soda and motor oil are sold from cut-case displays. Consumables such as shampoos and conditioners are piled high on endcaps. Closeouts on video games and bookbags are sold from well-stocked display tables situated in long power alleys. Even signing is reminiscent of box supermarkets: bold black letters on a bright yellow background.

Basics, closeouts: In its hard goods mix Glosser is lowballing basic consumables, the kinds of goods carried by every supermarket or large promotional drug store these days. But to distinguish itself from these retailers Glosser is also featuring hot deals and closeouts on everything from electric housewares to toys to sporting goods. Among the offerings at the Warehouse Outlets: Rand Delux 26-in. bikes for $79 and Ajay exercise bikes for $59.

Cook United's hope: Another chain targeting the lower-niche customer with a large format store is Cleveland-based Cook United, which is hoping to return to profitability with a renewed emphasis on the blue-collar customer.

"This is our proper customer, one being de-emphasized by much of our competition," says Russell Hansen, chairman.

Cook is taking a different tack from other retailers trying to reach

DOLLAR
DOLLAR
2

***Shoppers look** to discounters for bargain basics.*

How downscalers rate against other discounters

	Family Dollar	Dollar General	Wal-Mart	Ames	Jamesway	Heck's	Rose's	Average*
Five year compound sales gain	14.90%	18.20%	39.10%	20.50%	14.50%	2.50%	13.60%	11.8%
Five year compound earnings gain	20.60	27.20	42.80	25.40	16.40	− 9.20	23.10	13.4
Net margin	6.56	4.72	4.40	3.53	2.80	2.45	2.70	3.0
Earning power (margin X turnover)	22.40	17.60	17.40	9.90	8.40	7.28	10.50	9.9
Liquidity (sales/inventories)	4.80	2.70	5.40	4.80	4.70	3.50	4.70	4.7
Return on common shareholders' equity	25.00	19.50	25.70	20.50	17.80	8.80	16.20	17.5
Value of leases (as % of total capitalization)	24.20	9.20	20.70	28.10	38.40	11.90	45.70	23.8

*Average of 16 discount store chains tracked by First National.
(Source: Retailing companies division of First National Bank of Chicago)

CLEARANCE
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***Often, lower-niche** customers shop later in the season.*

4/1.00
OZ BOTTLE
25¢
4 $1.00

***The recession** broadened many discounters' market segments.*

this customer. The chain has actually upgraded the presentation of 14 of its stores, giving soft goods more of a fashion orientation and breaking hard goods into several small rectangular sections with short gondola runs and more promotional aisles.

At the same time, however, Cook has dropped its price points and focused on value-oriented soft goods. Within three years the chain hopes to be doing 40% of its business in soft goods, up from 17% last year.

"We think we can sneak in under the current market in soft goods," says Cook's Hansen.

Because of the size of its stores, which average between 26,300 and 74,200 sq. ft. of selling space, Cook is committed to having a broad, consistent merchandise mix, so its prices are slightly higher than those found at a Dollar General or Family Dollar. Still, the chain's prices are clearly lower than its closest competitors, K mart and Gold Circle. Dress shirts by Menswear International go out at $7.97. Just Arrived button-down shirts for women sell for $4.98.

Although companies like Glosser and Cook are discovering the value of marketing to lower-niche customers, for the time being the undisputed leaders of the concept remain Family Dollar and Dollar General. In November of last year Dollar General purchased 280 P.N. Hirsch stores from Interco and has already converted most of them to its format. Shearson Lehman's Wintzer predicts 15% to 20% earnings gains in each of the next four years for the chain. Family Dollar, meanwhile, hopes to have 1,000 stores by the end of 1986. Six years ago it operated just 304 stores.

Room to grow: Buoying the growth of these chains has been their obvious ability to find suitable new locations—another distinct advantage to serving the lower-niche customer. Unlike the large upscale discounters, which often need a shopping mall or new strip center location, these downscale retailers have been able to go into many secondary locations where rents are cheap and wages are relatively modest. Dollar General, for instance, currently pays an average of $1.60 per square foot in rent.

"This is one retailing niche that is actually not overstored," says Carol Robichaud, financial analyst with Blackstock & Co. in Jacksonville, Fla.

Both chains have gone into markets which are not large enough to support a big discount store and thus have had to compete only with local independent variety stores Even when the large discounters have come to town, they have frequently driven out the independent, leaving much of the neighborhood convenience business to the local Family Dollar or Dollar General store, which generally average just 5,000 to 7,000 sq. ft. of selling space and can resist the initial onslaught of a big discounter.

The erratic economy makes successful those strategies which target the lower-niche customer

If there is a downside to the performance of Family Dollar and Dollar General over the last several years, it lies in their sales per square foot figures, which are well below the discount industry average of $131. To a certain extent that's to be expected from retailers which shun big ticket items and keep prices generally below $15.

Nevertheless, Dollar General's Turner says that his chain should be doing more than the $75 in sales per square foot that it's currently achieving, and the chain has been refining its merchandising strategy to boost sales. To get a more consistent flow of customers the company has identified basic products in each category and now stocks them all of the time. These products might range from a boy's dress shirt in children's wear to Elmer's Glue in stationery.

As it has increased its basic offering Dollar General has decreased use of promotional tables, using more traditional racks and gondolas in order to project less of an image as a closeout retailer, although closeouts still account for about half of its soft goods sales.

Despite this emphasis on more store sales productivity, most analysts believe that the best prospects for growth at these retailers come from the abundance of locations available to them. To exploit this underdeveloped segment of retailing both chains are vigorously expanding their distribution capabilities and building large real estate teams.

Once considered on the fringes of retailing, both chains have clearly entered the mainstream.

"They might seem like good-old country boys," says Bonnie Paesek, analyst at Underwood, Neuhaus in Houston, "but don't let them fool you. These guys are great merchants. They really know what they're doing." □

—Steve Malanga

Department stores' sales picked up faster than discounters'.

Department stores outpace discounters

The tide of economic recovery may be raising all corporate ships in the retailing sea, but the sales swell is lifting some higher than others.

Consider the following facts. For five out of the first six months of the current fiscal year, Dayton Hudson's department store division has shown greater store-for-store sales gains than its Target discount division. The same holds true for Federated's department stores compared to discounters Richway and Gold Circle.

At May Company, comparable-store sales for the Venture discount division lagged department store performance for four out of the first six months. Associated Dry Goods saw Caldor's store-for-store figures trail department store totals for four months in the first half.

The phenomenon is not new to this specific stage of the economic recovery. For example, last year Dayton Hudson department stores outpaced Target 11% to 8% on a comparable-store basis. For the first half of fiscal 1984, Target's store-for-store figures show another 8% gain, compared to the department store division's 9% increase on top of last year's already strong performance.

Though none of the companies attaches any particular significance to figures for its individual operations, the industrywide nature of the phenomenon begs for an answer: Why are department stores showing greater sales gains than discount stores operated under the same corporate umbrella?

"This time around in the recovery the upper-income customer came back first to the department stores and bought apparel," says Shearson Lehman/American Express analyst Fred Wintzer. "Now the discount store customer is going back to work. As the recovery continues," Wintzer adds, "the sales advantage held by department stores over discounters will reverse."

Store-for-store department store sales gains outpace discount divisions

	Feb.	March	April	May	June	July
Associated Dry Goods						
• **Dept. stores**	14%	2%	16%	10.5%	8%	7.4%
• **Discount stores**	8%	(10)%	10%	12.0%	8%	2.0%
Dayton-Hudson						
• **Dept. stores**	17%	3%	20%	5%	11%	13%
• **Target**	12%	(1)%	5%	12%	6%	7%
Federated						
• **Dept. stores**	12%-13%	3%-4%	15%	9%-10%	9%	9%-10%
• **Discount stores**	1%	(8)%	13%-14%	9%	11%-12%	8%
May Co.						
• **Dept. stores**	11.5%	1.5%	12%	6.3%	6.3%	11%
• **Venture**	10.0%	(6.2)%	25.4%	6.8%	4.7%	6%

( )=Loss

Source: Prudential-Bache Securities

Yet some discounters have already reaped the benefits of increased consumer spending. Bentonville, Ark.-based Wal-Mart posted store-for-store gains of 18% for the first six months of 1984. Braintree, Mass.-based Bradlees comparable-store totals rose 11% in the first half. Six month store-for-store results jumped 22% for Rocky Hill, Conn.-based discounter Ames.

It was pent-up consumer demand for hard lines, generally considered the discounters' competitive strong suit, that in 1983 led many retailers out of the latest economic doldrums.

Prudential-Bache analyst David Taylor credits increased promotional postures by the department stores for diminishing the competitive price advantage held by the discounters and boosting department store sales. "The department stores have rolled up their sleeves and decided to play hardball," says Taylor.

Department stores' competitive pricing posture, according to Taylor, is driven both by corporate design and continuing pressure from increased inventories. Prudential-Bache estimates put inventory gains 13.2% ahead of sales in June and July at Federated, 11.7% ahead at Macy's, 7.2% up at Allied and 5.9% ahead at Carter Hawley Hale.

In addition to competitive pricing, Prudential-Bache's Taylor notes that department stores are currently trading in on their traditional strengths. "In good economic times, price and price alone is less important as a shopping determinant. Fashion and quality take on increased significance," says Taylor.

In fact, there may be no single answer to explain why certain department stores are outperforming certain discount outlets or *vice versa*. The varying impact of the economic recovery upon differing customer bases certainly accounts for some of this year's totals. So can the effect of price promotion by the department stores.

Now that the economic recovery is well on its way, third and fourth quarter differences between discounter and department store outlets should better represent their true respective competitive strengths, and not just the undertow of an economic tidal wave. ☐

electric—on a page with telephones and headed the page "Home or Office Savings." Not only did the ad prompt customers to think about possible needs, but the captions detailed each model's features so that customers could compare and contrast the two.

That same month, Abraham & Straus promoted the Brother EP 41 on the same page with the Atari 800 XL home computer and an electric typewriter from Olivetti. Like Macy's, A&S presented a step-up picture with the necessary information to aid customers in choosing the items best suited for their needs.

In-store merchandising is no different from advertisements except a salesman or sign details the typewriters. Department stores generally display all typewriters together in the electronics department. Usually they are featured on a counter, where customers can test them, and where a salesman can answer any questions.

At discount stores customers still like to test models and ask questions says Duckwall-Alco's buyer Zutavern. "We have one to show and one to go," he notes. In addition, Zutavern says suppliers teach salesmen how to operate and sell each model. Moreover, some of the newer electronic typewriters are programmed with instructions built-in. ☐

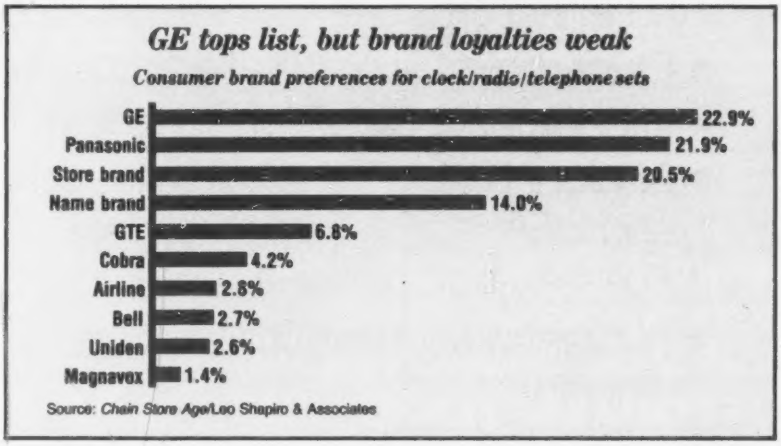
Clock/radio/phone sales are growing

Nearly half (49.2%) of consumers who might buy clock/radio/telephone combinations in the next year have no preferred brand in mind, according to the 1984 *Chain Store Age*/Leo J. Shapiro Consumer Buying Intentions Study. Also, the survey finds that almost 1 out of 4 (23.7%) prospective clock/radio/telephone customers has no particular retail outlet currently in mind.

The low brand/low store preference indicated by the poll shows that retailers' merchandising skills will be amply tested by the clock/radio/telephone combinations, since there is no pull on the consumer either to the retailer's store or to a particular brand. However, the study shows a strong demand and a good opportunity for private label products.

According to the *CSA*/Shapiro study, 3.2% of those polled plan to buy a clock/radio/telephone in the next 12 months. This compares with the 2% who expect to buy a telephone answering machine in the next year and the 7.1% who plan to buy a telephone itself. In the last year, 5.3% report buying a clock/radio/telephone.

Of those who express a brand preference, G.E. tops the list at 22.9% followed by Panasonic at 21.9%. Store brands were mentioned by 20.5% of those queried. Fourteen per cent responded "name brand" without naming a specific brand. G.T.E., Cobra, Airline, Bell, Uniden and Magnavox were also listed.



GE tops list, but brand loyalties weak

Consumer brand preferences for clock/radio/telephone sets

Source: *Chain Store Age*/Leo Shapiro & Associates

And when asked how strongly they want a particular brand, consumers show the least brand loyalty for any of the 12 consumer electronics products in this year's survey. Only 13.1% state that they definitely want their chosen brand, while 16.1% say that brand doesn't make any difference.

With half the respondents to this year's poll expressing no current brand preference, more choosing store brands, and with overall weak brand loyalties, the study shows that private label clock/radio/telephones could grab at least 3 out of 5 prospective customers.

Although 23.7% of prospective clock/radio/telephone buyers have no planned retail outlet in mind for their purchase, 11.2% say they will buy at Montgomery Ward. This represents the only consumer electronics category in this year's study for which Ward is the prime choice.

Catalog showrooms are mentioned with the next greatest frequency (11%), followed by Sears (10.6%), telephone specialty stores (9.8%) and discount stores (7.7%).

According to the poll, consumers expect to pay an average of $72 for clock/radio/telephone combinations. Two out of three (67.2%) prospective buyers plan to pay between $36 and $124. Of those who report buying in the last year, 66.4% say they bought on sale, the highest incidence of bargain buying of all the consumer electronics products studied.

The potential clock/radio/telephone customer is decidedly upscale. Nearly 7 out of 10 (69.9%) of those who bought last year or will buy in the next year have incomes over $20,000. A full 18.3% report incomes above $40,000. Professionals show an interest in buying which is double their proportion to the population as a whole.

Those who might buy are also somewhat older and have larger families than prospective buyers for other consumer electronics products. The 40-44 age group expresses an interest in clock/radio/telephones that is nearly three times its proportion to the entire population. In addition, the average family size for those who might buy in the next year or have bought in the past year stands at 3.3 people. ☐

***Microwave ovens** once sported hefty price tags; now they're mass-market affordable.*

Microwave growth goes macroscale

For the first six months of '84, microwave ovens led all other major appliances in factory shipments with four million shipped, an increase of 73.7% over the 2.3 million shipped during the same period last year.

Once thought of as a luxury appliance with a hefty price tag, retails are actually dropping from an average of $650 five years ago to $350 or less today. The microwave oven has become a mass market item, often footballed around with the same frequency as small electric appliances.

Retail sales should soar above $2 billion by year's end.

The industry is being driven by innovations in features, design and size and by an influx of low-priced imports from South Korea. American manufacturers say they are concerned by the recent spate of imports.

"The Korean brands are totally price-oriented," says one manufacturer, "while the Americans have a different strategy—quality. When inferior products flood the market, it can have a positive effect at first on sales, then a negative effect on consumers' perceptions of the industry as the imports often don't peform well or fill consumers' expectations.

"We look at the business as being a long-term relationship with the consumer while others are in it just for the short term. We have to combat that problem with better brand-name advertising."

Consumers are apparently in love with microwave ovens. Industry sources indicate that sales for the year should hit 7.5 million units with two-thirds of United States households owning at least one microwave by the mid-1980's. "At that point there will be a large replacement market," says Peter Caravella, vp/marketing for Litton Industries, "but first purchasers are still the main thrust of sales for now."

Low-priced imports spur U.S. manufacturers to compete on quality, design and popular sizes

For Sears, which is a leader with about 20% of market share in oven sales, first time buyers comprise a larger percentage of sales than for any other major appliance category, where most purchases are for replacements.

Larger Sears stores stock 17 sku's of microwaves. In the store of the future format, the ovens are a major focus with a wall of ovens featured prominently on the main aisle of the appliance department.

Cards underneath each model explain to shoppers the individual features including, on several high-end ovens, preprogrammed cooking instructions for 300 recipes.

"The whole category has really grown," says a Sears spokesman, "due to changes in people's lifestyles and a desire for greater speed and efficiency in the kitchen."

A desire for smaller ovens has sparked the re-emergence of compact models into the market. "Ten years ago Sharp closed out its smaller ovens," says Sharp marketing services manager Anne Howard, "as no one wanted them then. We were just ahead of our times. By the end of this year, however, compact models may account for as much as 25% of sales."

But Howard believes it is lower prices and not size that has made microwaves so popular. "At one time, there was a typical customer," she notes, "but today there is a broad spectrum of shoppers from senior citizens to young singles."

In fact a recent *Chain Store Age*/ Leo Shapiro & Associates study shows that microwave's drawing

***Popular features** on microwave ovens are size and digital controls.*

power is strong among all age groups. Of all shoppers polled who had bought a microwave oven in the past year or planned to buy one in the coming 12 months, 28.3% were under 30. Another 24.9% were over 50. Consumers in the 30 to 39 age group accounted for 24.4%.

Retailers feel boom: Naturally, the growth in demand is being fed by all levels of retailers. Most seem to follow Sear's lead by displaying microwaves on a wall. There is, however, some confusion on whether to display ovens with major appliances or housewares.

At metro New York Stern's, for example, ovens are on a wall adjacent to small electrics with microwave cookware displayed on stackable tables in front. Six ovens—all being promoted at sale prices—were set up on portable carts along the main aisle.

Caldor, however, displays microwave ovens with appliances, showing nine sku's ranging in price from $153 for a Samsung compact model to $399 for the Sanyo microwave/convection model. Cookware was only displayed with housewares.

At K mart, a private label compact for $179 is displayed in both the appliance department (with other ovens) as well as with cookware in the Kitchen Korner. But senior buyer Donald Bratt says this cross merchandising may have to stop as he needs the space for more housewares items.

The move into the mass market is a relatively recent development. "Our primary sales are to department stores and appliance stores," says Jeff Vogel, marketing manager for Panasonic. "But there is a certain customer who shops the mass merchandisers, so we have to make ourselves available to that level of the market. While a Wal-Mart or Service Merchandise might only buy one or two models, our major customers might buy a dozen."

Not all stores have jumped on the microwave oven bandwagon. At Weinstock's, a spokesman says the company decided to drop the category and expand stereo assortments due, in part, to falling prices.

Price/discount is still mentioned most frequently as the reason to shop a particular store according to the *CSA*/Shapiro study. Sears, K mart, Penney, catalog showrooms and department stores all get improved ratings from consumers as where to shop for ovens during the coming 12 months.

Future growth: According to industry sources, sales in California and the Midwest have been building for some time. The area to watch for explosive growth is the Northeast. "During the second quarter of '84, the Northeast sold a greater percentage of microwave ovens than the west," says Sharp's Howard. "This is a significant change."

Touch controls instead of dials are also gaining market share. About 70% of all microwave oven models sold have digital panels. "It's the graphics that sell," says a Montgomery Ward spokesman. "On identical models, the one with touch controls far outsells the dials, even if the manual oven is on sale."

Ward, with an opening price point of $199 for a 0.6 cubic foot oven, has microwaves as high as $749, but "the full-size model for under $300 is the best seller," says the spokesman.

While the consumer is more educated about microwave ovens in general, there is still a need for more consumer education. Sharp encourages and supports cooking schools across the country, but some continuity in training consumers is lacking. Sears and Ward sponsor classes while most discounters do not.

Sales training is also very important. One manufacturer speculates that one reason prices have dropped is that "salesmen just don't know how to sell the ovens so they shy away from them to something more familiar. Plus, in a discount store, price is the only sales tool." ☐

Classes heat up microwave sales

"I've got more time for lovin' since I got my microwave oven" is emblazoned across the aprons that Bob Atkins gives away to each microwave oven customer. "It's a great close," says Atkins, "and customers love the aprons."

Atkins owns four franchises from Friedmans' microwave specialty stores in the Los Angeles area, a company founded by Arthur Friedman in 1976. In '78, the first franchise was sold. By year's end there will be 110 stores stretching from

Demand for microwave ovens shifts eastward

	% of shoppers who bought last year might buy this year	
	1982	1984
New England	4.1	6.6
Middle Atlantic	19.0	16.6
East North Central	5.5	18.0
West North Central	4.3	6.8
South Atlantic	4.7	12.8
East South Central	15.0	7.0
West South Central	11.1	9.8
Mountain	10.9	10.3
Pacific	25.4	12.6

Source: *Chain Store Age*/Leo Shapiro & Associates

nologies currently associated with the company—such as more cordless appliances. Sharply priced, competitive merchandise can win consumers and build brand loyalty. But relying solely on the name without giving the consumer any tangible reason to buy may lead to disastrous results.

Few manufacturers can match Black & Decker for production efficiencies, and the success of the Dustbuster shows that the company does have the marketing acumen to do a creditable job in building sales.

When all is said and done, however, it'll be up to the consumers. ☐

Slow cooking with private labeling

Shopping the housewares department at most retailers reveals that the private label boom has not hit this area with the same force felt in apparel.

That private labeling works and is profitable can be seen from the dramatic rise in private label apparel—currently about 8% to 10% of all apparel sales. And many retailers feel it will increase with some categories hitting 40% within the next five years.

Presently, private label merchandise is a tiny percentage of housewares sales, and retailers feel it's not easy to get a program started.

"We haven't gotten involved with private label housewares," says James Crittenden, dmm Robinson's, "because we've had a tough time finding merchandise that has the quality and the price advantage that we want to put our name on. Of course, we're always looking."

While some retailers note there are good opportunities in certain categories—marble, brass, copper, flatware—they agree that small electrics are still closely tied to brand name, although even here the consumer is shifting toward price considerations over brand name. Where brand identity is weak, retailers could indeed make strong sales gains (see chart).

Retailers can make strong strides where brand identity is weak

Item	% of shoppers who prefer					
	Store brand		Advertised brand		No preference	
	'83	'84	'83	'84	'83	'84
Microwave oven	14.2	15.9	55.9	58.5	29.9	25.7
Microwave cookware	15.8	15.9	42.4	38.1	41.8	46.0
Vacuum cleaner	35.7	19.4	46.1	60.6	18.3	20.0
Bathroom scale	19.2	12.4	30.7	25.6	50.0	62.0

Source: *Chain Store Age*/Leo Shapiro & Associates

Large retail corporations are beginning to see the advantages of private labeling for their national divisions. Allied Stores, for example, has four separate private label programs—for small electrics, stemware, housewares and accent furniture. "We've developed them over several years," says an Allied corporate spokesman. "Since our various divisions do not have one housewares departmental logo, we use a different name for each merchandise classification."

Currently, BATUS is working on developing a private label program that will be called The Main Ingredient. "We hope to have a table top program by '85," says Marshall Field dmm Raymond Berger.

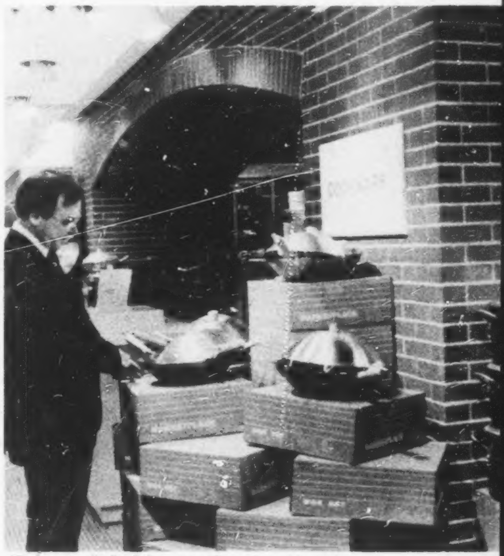
Dayton Hudson dmm George Collins predicts the chain will also do more with private labels. Currently, the program includes woks and cookware with uniform packaging using a blue and white grid and the Marketplace logo.

The leader in private label housewares is Sears. "We basically carry our own brands," notes a Sears spokesman, "and very few national brands except where we feel they are necessary to complete an assortment."

Naturally, private labeling is not for everyone. Carson Pirie Scott, for example, would rather be known as the headquarters store for brand names.

Similarly, most discounters have stayed away from the idea. Even large chains with considerable buying power are opting to beef up brands. "We have no plans to get involved with private label housewares," says a G. C. Murphy spokesman.

Penney, Montgomery Ward and K mart—all in the process of upscaling—are increasing their commitments to branded goods. For example, in Ward's Fall '82 catalog, the opening price point on a coffeemaker was Ward's own brand at $21.99. In the current issue, the opening price is $29.99 for a Melitta appliance, and there is no Ward's brand coffeemaker.



***Private label** is starting to attract interest in cookware.*

There are, of course, some hazards along the way that retailers must try to avoid. Shortsighted merchandising is one. At an Allied store a 10-piece set of Manor House private label stainless steel cookware was featured on an aisle table for $88 (with an open stock value of $155). Just two tables away was a 12-piece set of Farberware for $85 (with an open stock value of $216). The consumer is offered a name brand, lower price, more pieces and a larger savings, so there seems to be no reason to buy the store's own brand.

While no one wants to speculate how much private label housewares will grow over the next few years, most retailers feel it is an area that has a great deal of potential. ☐

***Playland emphasizes** upscale lines—especially in dolls and plush.*

Playland plans are to enter new territories

Two years ago Greenman Brothers, a Long Island-based toy, housewares and stationery wholesaler acquired Playland, a 31-store retail toy chain headquartered in Valdosta, Georgia.

Today, there are 47 stores located mainly in regional malls in the southeast and plans call for another 13 to open by year's end. An additional 30 stores are on the board to open in '85 as the company pursues its expansion into the northeast in both new and existing malls. "We're currently pursuing good malls that already have one toy store but can support another," says David Yankey, Greenman Brothers vp/finance.

While it's no secret that Toys "R" Us currently captures about 12.5% of the estimated $10.4 billion toy market, two other mall toy chains—the 456-store Kay Bee chain, a division of Melville Corp. and Rite-Aid's 179 store Circus World—show that mall stores offer an economically sound alternative to toy supermarkets.

The mall strategy has paid off well for Playland too. Sales in '83 hit an estimated $18.8 million (about 16% of Greenman's total sales). As the chain continues to expand, it will increasingly come up against Kay Bee and Circus World, but Playland has one distinct advantage—the backing of Greenman Brothers.

Thought to be one of the largest distributors of toys in the country, Greenman's wholesale toy sales totaled nearly $49 million in '83, providing buying efficiencies for Playland unmatched by similar-sized chains. "They are a good buying organization with a well-conceived game plan," says Raymond, James & Associates analyst Richard Lilly.

Day to day operations for Playland are conducted by the staff in Valdosta. "They need their autonomy," says Stewart Katz, Greenman Brothers president/coo. "When we conclude a major agreement with manufacturers, Playland gets the benefit of our purchasing power, but their actual purchasing patterns are different from ours."

The stores—with a rainbow motif at the entrance—are oriented heavily toward upscale lines, with an emphasis on plush and dolls with retails up to $200. These premium priced specialty toys account for

Ewok™ LICENSEES

Apparel/Accessories
Adam Joseph Industries (415) 552-5400
Charleston Hosiery Mills (513) 321-3050
Lee Company, a Division of
Lee Byron Corp. (212) 244-4440
Rayman/Ridless Products (212) 947-6040
Sales Corporation of America
(415) 896-0707
Stride-Rite Footwear, Inc. (617) 491-8800
Underoos, A Division of Union Underwear
Company, Inc. (502) 781-6400
Uniprints, A Division of Union Underwear
Company, Inc. (502) 781-6400
Wilker Brothers Company, Inc.
(212) 564-7690

Food Products/Promotions
Coca-Cola USA (404) 676-2121
Kellogg Company (616) 966-2000

Home Textiles
The Bibb Company (212) 354-6300

Housewares
Chein Industries, Inc. (609) 386-2800
Deka Plastics, Inc. (201) 351-0900
King-Seeley Thermos Company
(203) 887-1671
Wallpapers-To-Go, Inc. (415) 785-7150
Wilton Enterprises, Inc. (312) 963-7100

Publishing and Music
Ballantine Books (212) 751-2600
Disneyland-Buena Vista Records
(818) 840-1000
Marvel Comics Group (212) 696-0808
Paradise Press (203) 426-0400
Polygram Records (212) 399-7100
Random House, Inc. (212) 751-2600

Stationery and Gift
Adam Joseph Industries (415) 552-5400
American Publishing Corporation
(617) 926-1800
Drawing Board Greeting Cards, Inc.
(214) 638-4800
Random House, Inc. (212) 751-2600
Sales Corporation of America
(415) 896-0707
Stuart Hall Company, Inc. (213) 724-4061
Topps Chewing Gum, Inc. (212) 768-8900
Towle/Sigma Giftware Corporation
(212) 725-4844

Toy and Juvenile Products
American Toy & Furniture Company, Inc.
(312) 271-2600
Ben Cooper, Inc. (212) 499-7025
Bradley Time Co. (212) 243-0200
Brookfield Athletic Shoe Company, Inc.
(617) 867-7406
CBS Toys (201) 330-3000
Don Post Studios, Inc. (818) 768-0811
Fundimensions (313) 949-4100
Huffy Corporation (513) 866-6251
Kenner Products (513) 579-4000
Parker Brothers (617) 927-7600
Spectra Star Kites (818) 897-2979

Miscellaneous
Atari Games, Inc. (408) 262-4490
Comdial Consumer
Communications Corp. (818) 579-1710
CooperCare, Inc. (415) 856-5000
The McCall Pattern Company
(212) 880-2600

In pursuing malls, Playland will compete with two giants*			
	Playland	Kay Bee	Circus World
# of stores	39	456	179
Sales (000 omitted)	$18,800	$281,100	$73,400

*figures as of Jan. 31, 1984 Source: *Chain Store Age* research

about 25% of the mix with the rest being basic toys. Electronic items—especially in view of the recent shakeouts in the industry—are avoided altogether.

Playland units are generally not as promotional as other mall operations. Current fad items are usually featured at the front entrance. The stores are set up with four main aisles running front to back. The right wall features a 12 to 16 ft. character wall where lines like Cabbage Patch or Smurf are grouped together. This display changes as newer lines gain popularity or to make way for seasonal items. Currently, the wall is well stocked with Halloween merchandise.

The left wall is targeted to girls with dolls and accessories shown together. Merchandise is stacked to the top of the 72-in. gondolas to give consumers a wide range of choices. The average 3,700-sq.-ft. stores stock about 3,500 skus.

Playland is "an uncommonly profitable operation," says Lilly, who estimates that this year sales per store should hit $560,000 with sales per square foot totaling $151. Gross margins are an enviable 42%, and Playland should contribute $1.7 million to Greenman's bottom line this year. Lilly adds that the company could easily have 200 stores by the end of the decade.

Toy retailing is not new to the company. During the 60's Greenman leased toy departments at several New York regional discounters who had become disenchanted with lower than expected margins on toys. "We had a peak of 50 leased departments," says Katz, "but many of those regional chains are no longer in business." The company still operates six leased departments in Modell's Shoppers World on Long Island.

During the 70's the company was an innovator in the toy supermarket concept. The 200,000-plus square foot Playworld stores expanded to 20 units, but the roll out by Toys "R" Us and Child World spelled a death knell for the chain. Six are still in operation. The leased departments and Playworld account for about 12% of corporate sales and will probably become less significant as Playland develops.

As for the future, Katz says there are no immediate plans to add other retail segments. "We've looked at the possibility of specialty housewares stores," Katz says, "but we've no real plans so far." Some housewares and stationery items are included in the mix at larger

We deliver more

Tommee Tippee® and Playskool® now bring you

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Playworld locations.

The growth vehicle now, however, is Playland. "The thrust of our direction is Playland," says Yankey. "We've gotten the formula and now it's easy to expand the cookie cutter pattern." ☐

Who's who in the changing toy game

Any buyer who has trudged through level after level and showroom after showroom at Toy Fair might relish the thought of only having to visit a few dozen showrooms instead of hundreds.

While this dream is farfetched (at least for the moment), the toy industry has been undergoing some major consolidations recently, for the first time since the 60's when both General Mills and Quaker Oats acquired toy manufacturers.

During the first half of '84, another wave of mergers has changed the face of the industry. The biggest has been the acquisition of Milton Bradley, the venerable board game, puzzle and preschool manufacturer, by Hasbro, the home of G.I. Joe and other hot licensed properties.

The newly formed Hasbro Bradley Inc. will be the No. 2 independent power in the toy trade with annual sales in excess of $800 million.

"The merger puts us into games and puzzles, which are often more stable than promotional toys," says Alfred Verrecchia, Hasbro senior vp/finance. "Plus Milton Bradley has strong international distribution lines which we can now fully utilize. Finally, by combining their Playskool line with our preschool toys, we'll have a more emphatic presence in this important segment."

Trade sources note the combination will provide excellent grounds for supporting Hasbro's licensed

Hasbro Bradley Inc. *will play a lucrative licensing game.*

babies than anyone.
a bigger, better, more balanced baby business.
Tommee Tippee.
PLAYSKOOL

If ever two companies were made for each other, it's Tommee Tippee and Playskool. Tommee Tippee is famous for training cups, bibs, teething accessories, hooded towels and Sleep 'n Play sleepwear. Playskool for baby toys, rattles, stroller and crib attachments. Together we give you the most complete range of quality baby products. The result? We'll deliver more babies this year than anyone else in the business.

Earnings gains soften in second quarter

	2nd quarter (000 omitted)			1st half (000 omitted)		
	1983	1984	% change	1983	1984	% change
Penney[1]	55,000	49,000	− 10.9	113,000	118,000	+ 4.4
Sears[2,3]	124,500	155,800	+ 25.1	111,800	181,700	+ 62.5
Ward	4,000	2,000	− 50.0	(15,000)	(1,000)	—
Subtotal	183,500	206,800	+ 12.7	209,800	298,700	+ 42.4
K mart	117,700	144,400	+ 22.7	162,300	202,400	+ 24.7
G. C. Murphy	4,675	4,717	+ 0.9	6,377	6,950	+ 9.0
Rose's	4,848	5,812	+ 19.9	7,859	9,505	+ 20.9
SCOA[2] (Hills)	3,785	2,453	− 35.2	3,888	3,579	− 7.9
Wal-Mart	41,475	58,964	+ 42.2	68,978	102,607	+ 48.8
Woolworth[1,2]	16,000	19,000	+ 18.8	17,000	23,000	+ 35.3
Zayre	8,894	12,435	+ 39.8	15,562	23,036	+ 48.0
Subtotal	197,377	247,781	+ 25.5	281,964	371,077	+ 31.6
Allied	16,087	16,714	+ 3.9	29,176	31,446	+ 7.8
Associated Dry Goods	17,407	18,387	+ 5.6	20,816	23,461	+ 12.7
Carter Hawley Hale[4]	4,670	39,546	+746.8	10,875	48,085	+342.2
Dayton Hudson[1]	36,113	39,103	+ 8.3	58,794	67,503	+ 14.8
Federated	40,610	35,033	− 13.7	83,596	70,843	− 15.3
May Co.	31,000	37,000	+ 19.4	51,200	64,500	+ 26.0
Mercantile	12,347	12,085	− 2.1	24,329	26,394	+ 8.5
Subtotal	158,234	197,868	+ 25.0	278,786	332,232	+ 19.2
Cole National	931	1,811	+ 94.5	321	2,080	+548.0
Oshman's	2,035	1,708	− 16.1	1,970	1,767	− 10.3
Toys "R" Us	7,100	11,600	+ 63.4	12,500	21,200	+ 69.6
Subtotal	10,066	15,119	+ 50.2	14,791	25,047	+ 69.3
The Gap	1,658	78	− 95.3	3,353	755	− 77.5
The Limited	15,768	16,888	+ 7.1	25,673	30,493	+ 18.8
Edison Bros.	9,300	5,600	− 39.8	16,800	15,600	− 7.1
Subtotal	26,726	22,566	− 15.6	46,826	46,848	+ 2.2
Syms	3,035	3,420	+ 12.7	4,024	4,761	+ 18.3
Clothes Time	1,232	1,918	+ 55.7	1,067	1,447	+ 35.6
Subtotal	4,267	5,338	+ 25.1	5,091	6,208	+ 21.9
Total	580,170	695,472	+ 19.9	836,256	1,080,112	+ 29.2

[1] Continuing operations only.
[2] Consolidated operations only.
[3] U.S. merchandising only.
[4] Includes a nonrecurring gain of $63,100,000 from the sale of Waldenbooks.
( ) indicates loss.
Source: *Chain Store Age* research

Margin pressure lifts quarterly $$$

Second quarter results show that retailers continue to push profits up by pressuring gross margins. While not as dramatic as first quarter increases of 49.9%, second quarter income rose 19.9% for the 25 chains tracked by *Chain Store Age*. Net income for the first half year grew by 29.2%. These results are in comparison with the strong earnings reports during the same period in 1983.

During the second quarter, retailers struggled to maintain the gross margins achieved over the first 13 weeks in '84 by exerting tight controls on inventories. K mart held the line at 28.8% while some other general merchandisers declined.

Woolworth slipped from 32.8% to 32.6% and Zayre's declined from 24% to 23.1%. Large summer markdowns at Hit or Miss were the primary causes at Zayres.

Overall, first half-year gross margins showed improvements over 1983, particularly at those general merchandisers who are upscaling their stores. For example, K mart rose to 28.8% from 27.5% during that time span. Chairman Bernard Fauber says, "The continued strong economy provided a receptive climate for the introduction of the new merchandising programs."

Additionally, J. C. Penney increased from 32.6% to 33%, despite a tough second quarter in which margins fell to 32% from 34.1%. After reducing seasonal merchandise in the second quarter, chairman William Howell says, "We are well positioned with updated merchandise for the all-important fall and holiday seasons, and we expect that our performance in the last half of the year will produce record results for 1984 as a whole."

ONECARD: The total credit card?

The man who gave the world the MasterCharge credit system is again out to revolutionize the way we pay for goods and services. His vehicle this time: ONECARD International, a network which pulls together the many bank and retailer charge cards under a single card.

According to Dr. Melvin Salveson, creator of the new system, ONECARD holders will be able to access all of their retailer and bank credit accounts and call up medical and insurance records in cases of emergency. The card will allow consumers to perform transactions ranging from credit card purchases to electronic funds transfer.

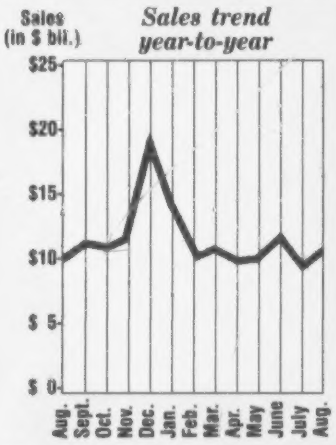
In addition to the convenience the system will provide consumers, ONECARD will offer several benefits to retailers, says Salveson. The network is described as virtually fraud proof because consumers will have to use a personal identification number in conjunction with the card. ONECARD will provide retailers with instant credit information on customers, reduce billing costs and improve cash flow, according to Salveson.

To participate in the system, which is scheduled to begin operating in first quarter 1985, retailers will need to install point-of-sale systems provided by ONECARD, headquartered in Los Angeles. Once on the system, stores will be assessed transaction fees ranging from 10¢ for check guarantees to 35¢ for each instant credit check.

Back-to-school boosts August sales

Olympic television watching in early August kept millions of evening shoppers at home and depressed sales in the month's first two weeks. However, the 3%-5% sales gains reported by many retailers in the first half of the month were more than offset by brisk back-to-school activity in the last two weeks.

The 25 chains tracked by *Chain Store Age* posted sales gains of 9.6% for August and 11.4% for the now seven-month-old fiscal year. Because of the unusual effect of the Olympics and varying back-to-school dates around the nation, combined August-September figures should provide a more accurate harbinger of fourth quarter performance.



Composite of sales trends showing month-to-month sales volume for the 25 retail companies tracked by *CSA*.

Sears, the nation's largest retailer, marked a modest 5.4% monthly gain, but overall sales performance was hampered by a 12.6% drop for Sears Canada. United States volume rose 8.1%.

K mart continued its belated enjoyment of the economic recovery. August's 8.7% sales increase for K mart stores marked the second consecutive month in which monthly performance outpaced year-to-date figures. K mart's August totals are also the first representing sales from the recently acquired Waldenbooks. With figures for the book retailing chain included, K mart posted an 11% monthly gain.

Even without Waldenbooks, Carter Hawley Hale continues its sales surge unabated. August sales jumped 21.8%, slightly above its 21.1% year-to-date pace. R. H. Macy reported a 13.3% gain and store-for-store results up 9.7%. Comparable-store figures for Dayton Hudson were up 5.7% in August. Mercantile posted a 9% store-for-store gain.

August's only sales losers were The Gap and Tandy. The Gap's sales were off 10.7%, while Tandy marked a 1.7% decrease. Sales for Tandy's United States Radio Shack division declined 5%, while comparable store performance fell 6% during August.

Late August sales rebound

		August sales*		Stores		7-mo sales*		
Major chains	**% change**	**1984**	**1983**	**1984**	**1983**	**1984**	**1983**	**% change**
Sears[1,5]	+ 5.4	1,995,000	1,892,000	880	892	14,163,000	13,382,000	+ 5.8
Penney	+ 8.8	944,000	868,000	2,018	2,027	6,220,000	5,350,000	+ 16.1
Ward[1]	+ 8.6	471,065	433,853	377	376	3,370,639	3,049,170	+ 10.5
Federated[4]	+ 9.7	558,400	509,000	431	404	3,953,700	3,540,600	+ 11.7
Dayton Hudson	+ 13.1	583,467	515,843	1,124	1,052	3,900,229	3,355,467	+ 16.2
May Dept. Stores	+ 12.2	327,500	291,800	1,676	1,530	2,319,200	2,037,300	+ 13.8
R. H. Macy	+ 13.3	310,400	273,900	94	91	2,138,200	1,863,400	+ 14.7
Allied Stores	+ 6.0	264,400	249,400	584	556	1,979,000	1,809,900	+ 9.3
Carter Hawley Hale	+ 21.8	257,700	211,500	257	239	1,854,100	1,530,800	+ 21.1
Associated Dry Goods	+ 7.3	260,200	242,500	327	319	1.993,000	1,702,000	+ 17.1
Mercantile	+ 6.3	135,757	127,766	79	85	855,518	799,949	+ 6.9
K mart	+ 11.0	1,531,437	1,379,523	3,442	2,488	10,760,500	9,993,572	+ 7.7
Woolworth	+ 2.2	423,033	413,728	N/A	N/A	2,981,971	2,820,708	+ 5.7
Wal-Mart	+ 36.7	551,000	403,000	699	611	3,295,000	2,356,000	+ 39.8
Household Merch.[2]	+ 1.2	404,105	399,206	N/A	N/A	3,001,806	2,925,120	+ 2.6
T.G. & Y.	− 11.3	142,655	160,847	764	834	1,085,750	1,053,822	+ 3.0
Zayre[3]	+ 17.7	235,362	199,901	798	697	1,562,220	1,291,768	+ 20.9
Bradlees	+ 5.3	99,000	94,000	130	112	683,000	538,000	+ 27.0
Murphy	+ 3.9	62,061	59,714	387	409	476,431	451,749	+ 5.5
Rose's	+ 7.5	81,319	75,627	192	243	492,121	432,430	+ 13.8
Heck's	+ 3.5	38,000	36,700	123	119	239,607	225,344	+ 6.3
Jamesway	+ 9.0	34,858	31,965	79	77	236,764	210,724	+ 12.4
Melville	+ 10.7	352,056	318,546	5,306	5,673	2,542,109	2,198,861	+ 15.6
Tandy	− 1.7	203,171	206,720	N/A	N/A	1,427,016	1,365,516	+ 4.5
Edison Bros.	+ 17.3	92,900	79,200	N/A	N/A	618,277	562,981	+ 9.8
The Gap	− 10.7	47,800	53,500	602	562	251,300	232,400	+ 8.1
Total & Averages	+ 9.6	10,263,991	9,366,892	—	—	71,314,708	64,025,759	+ 11.4

*000 omitted. N.C. = no change. N/A = not available.

[1] Store number for full-line outlets only. [2] Includes Von's and T.G. & Y. sales. [3] Includes 278 Zayre stores (vs. 271 a year ago), 382 Hit or Miss stores (vs. 321, and 138 T. J. Maxx stores (vs. 105). [4] Excludes supermarket sales. [5] Includes results from Sears Canada.

CHH debt rating lowered to Baa3

Carter Hawley Hale continues to pay the price for its successful, but expensive, defense of The Limited's attempted takeover. Moody's Investors Service lowered CHH senior debt ratings from Baa2 to Baa3 in late August. The change affects $435.5 million of senior debt. Rating for commercial paper was also dropped from Prime-2 to Prime-3.

Though the recent sale of Waldenbooks to K mart paid back short-term debt incurred in buying back $470 million in common stock last spring, Moody's considers that $300 million of convertible preferred stock sold to General Cinema raised capitalization ratios and reduced total charge protection.

According to Moody's, high debt and capital spending requirements, and the preferred dividend, could put pressure on future cash flows.